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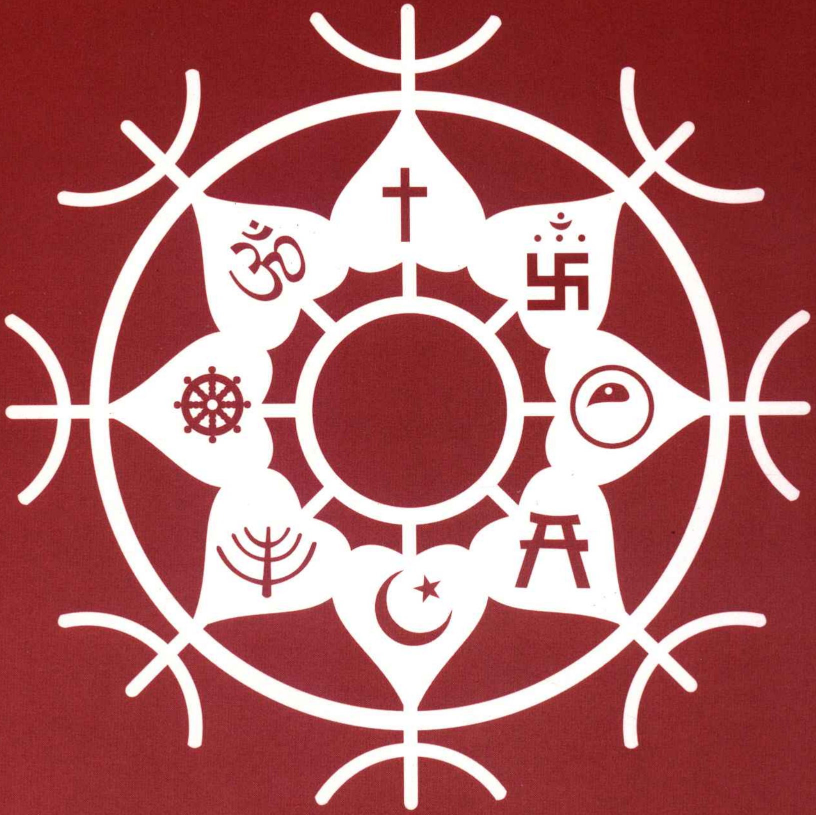

ECONOMICS AND ETHICS

April-June 2013 Vol. 38, No. 2

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Editorial

HOMO ECONOMICUS VIS-A-VIS *HOMO ETHICUS*

Economics and Ethics are fundamental to human life and wellbeing and they are so intertwined in many ways that one cannot discuss one without some direct or indirect reference to the other. Most significant human practices have both economical and ethical dimensions and there are many lively interactions between normative economics and moral philosophy. Though ethical concerns may not be the primary focus of economic theories they are inescapable for economic praxis; on the other hand, in a market driven world, ethics must also pay attention to economics.

Whether the successful conduct of businesses and economy can and ought to adhere to ethical standards and support the social good is especially significant in the light of the recent economic turbulences. Are organizations designed purely as profit making mechanisms that cannot afford to consider ethical principles as they have to survive under conditions of harsh competition or can adherence to ethical principles actually be beneficial to economic success?

Economics deals with the production, distribution, and consumption of goods and services and with the theory and management of economies or economic systems. Ethics is a system of moral principles, a system of rules for regulating the actions and manners of people in society. So, if you have good ethics, you will have good economics; conversely, if you have good economics you will have good ethics. This idea, however, does not seem to be working in the contemporary world, forcing us to question what is good economics that would pay attention to ethics. When the world's economic wealth is growing impressively, the scandal of inequalities, corruption, new forms of poverty and exploitations are on the increase. Human rights are often violated; multinationals pose threats to local industries and initiatives; international aid is used irresponsibly for selfish motives. *Homo ethicus* cannot remain insensitive to the inequalities that persist in the world of *Homo economicus*. It is becoming increasingly important to bridge the two worlds. Exploring the interrelations between Economics and Ethics, the Centre for the Study of World Religions (CSWR), Dharmaram Vidya Kshetram, Bangalore, and Globethics.net India jointly organized a one-day workshop in collaboration with the Economics Department of Christ University and some of the papers presented are included in this issue of the *Journal of Dharma*.

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As economics deals with ascertainable facts and ethics with valuations and obligations, some economists of the twentieth century hold that economics as a value-free or ethics-free science. Others like Amartya Sen, on the other hand, think that modern economics has been substantially impoverished due to growing gap between Economics and Ethics. Roy Palatty in his article, "What Can Ethics Learn from Economics?" argues that Sen's alternative methodology to address issues of justice helps to show that economics is not an ethics-free science and that the search for transcendental solutions on ethical issues is neither necessary nor sufficient. Economic practices involve self-interests, welfare of others and wellbeing of the environment and these involve ethical principles and judgements. Ethical deliberations on economic policies and practices should reflect on how to eliminate remediable injustices around us rather than to define just society in terms of necessary and sufficient conditions. To identify and address patent injustices in our world, Sen prioritises a comparative approach to justice (*nyaya*) over any identification of a perfectly just social arrangement (*niti*) and we must shift our priorities from transcendental theorising towards thinking about justice-enhancing changes. Comparative approach retains ideals, envisions targets, and engages ranking of different alternatives; it is a work in progress.

Sustainability ethics banks on the program of sustainable development, which, however, is riddled with ambivalence between the weak form or economic sustainability and the strong form or world sustainability. The article "Sustainability Ethics and the Eco-Feminist Ethics of Care" by Rica de los Reyes Ancheta rejects the weak form of sustainability as untenable and endorses strong sustainability substantiated by the principle of care in eco-feminist ethics. Using the ecofeminist practice and language of care, she successfully interprets the Biblical notion of *rada* (dominion) as a capacity to care. The sustainable world is viable only via the ethics of care and a nation is achieving sustainable development only if its economic development improves the total quality of life of every citizen, including future generations. Hence, the ecosystem is to be treated not as a subsystem of economics but economy as a subsystem of the ecosystem. Individual and institutional self-interest must be challenged by ethical positions of compassionate solidarity and community care.

Willard Enrique R. Macaraan, in his article "Basic Ecclesial Community Based Economics of Compassion," provides a concrete example of a project where ethics of care is practised. He takes into account the fact that people, individuals, institutions and Governments and

NGOs have started to realize that doing economics is not always within the realm of rationalized calculations but must look after the human person. By employing an interdisciplinary dialogue between theology and economics the author draws a moral-cultural framework towards a compassion-based economics in the form and practice of Basic Ecclesial Communities (BECs). What he promotes is a person and community oriented market economics, an economic moral-cultural framework based on Jesus' praxis of compassion.

"Corporate Social Responsibility: Myth and Reality," by Gerard Rassendren and T. Sagar Prasad, examines the concept and practice of Corporate Social Responsibility, showing the conflicts between economics and ethics. Companies nowadays strive to be socially conscious in the way they do business by taking up CSR activities besides maintaining profitability. Similarly, consumers modulate their purchase choices to be made up of products that have been produced and marketed through socially responsible processes. In the actual business practice, however, profit is a requirement while ethics of social conduct in business is an expectation and, therefore, often commerce takes precedence over ethical behaviour. The proverbial 'self-interest' of Adam Smith pervades both the material and the moral spheres of human activity and thought processes. CSR to be an effective reality, 'Welfare of all' needs to be a decision, not merely an emotion. The community and its wellbeing cannot be incidental to business choices, but the very rational ground for the existence of those choices. The core of the shift is from, 'I am, therefore we are', to 'we are, therefore I am.'

The globalized era of the twenty-first century is witnessing a drastic decline in moral and ethical standards in all spheres of life, including economics. This deterioration in moral standards is all pervasive and has assumed a cross-national and multi-disciplinary character. The article "Ethics and Global Finance," by Anju George, is an analysis of our financial system in the backdrop of the recent economic crisis. Going beyond the economic dimensions, an attempt has been made to bring out the reasons that emanated from the failing moral and ethical standards that culminated in the Great Economic Crisis of 2007-2008. It analyzes why unlike the other sectors of the economy, a deterioration of ethical behaviour in the financial transactions has to be viewed with much more vigilance. Let the global financial meltdown at the dawn of the twenty-first century be an eye-opener for the financial world to re-inject the systems with their lost ethics is the claim of the paper.

Capitalism is based on the core principles of private property/self-interest, capital/profit-making and labour, and liberal democracy. Such principles have generated standard economic practices which through time have impinged on people's homes, neighbourhood, villages, and nations. In his article, "Impingements in Capitalism: Decoding an Obscure Factor in Ethical Analysis," Ferdinand D. Dagmang uncovers the insidious ways capitalism has impacted on life and points out the analytic potential of impingements in (1) reconnecting the private-public disconnect in a world pervaded by capitalism, (2) internalizing what has been considered as externalities by economics, (3) tracing the psycho-neurological genesis of impingements and (4) tracking down the interlocking development of capitalist institutions and persons. These approaches are used to aid and expand the ethical evaluation of capitalist actions and structures, leading toward proposals for the ethical solutions to some problems unearthed by the concept of impingements.

Stephan Rothlin, in his article "Economic Growth and the Impact of Christian Ideas in Post-Maoist China," examines critically and creatively the Post-Maoist economic transition from mass poverty to a global powerhouse. China's growth strategy followed a standard, mechanistic recipe for catch-up growth that is relatively undisputed in mainstream Economics. However, the unintended side-effects of this growth, such as environmental destruction, corruption, and lack of transparency are now China's major problems which are significantly connected to the disregard of individuals and institutions for the negative externalities that their actions may cause. The author suggests that the moral wisdoms, embedded in all major Chinese religions including Christianity, hold some of the missing piece(s), required to make China's development model sustainable. Due to his own background, the author concentrates on using examples of Catholic Social Teaching, when illustrating how religions' moral insights may make relevant contributions to China and the wider field of economics. In his view, the theological conception of Trinity is a perfect model of relationship and an alternative to an economic model which still seems to be defined on a narrow egocentric view on the "*Homo Economicus*."

Have a great time with the *Journal of Dharma* examining critically and creatively the interface of Economics and Ethics!

Jose Nandhikkara, *Chief Editor*

Journal of Dharma 38, 2 (April-June 2013), 111-130

WHAT CAN ETHICS LEARN FROM ECONOMICS?

Roy Varghese Palatty[◆]

Abstract

Against traditional economic theories, Sen's alternative methodology to address issues of justice helps us not only to argue that economics is not an ethics-free science but also to rethink about our transcendental search for solutions on ethical issues. For a reasonable theory of justice, Sen argues, an identification of a perfect social arrangement is neither sufficient nor necessary. His argument is that identifying 'perfect' justice and comparing imperfect social states are analytically disjoined. To identify and address patent injustices in our world, we must prioritise comparative reasoning rather than transcendental reasoning. Comparative approach retains ideals, envisions targets, and engages ranking of different alternatives. Yet, we argue that Sen offers no explicitly systematic exposition of ideal theories.

Keywords: Justice, transcendentalism, comparative justice, economics, ethics, ideal theory, non-ideal theory, Amartya Sen

1. Introduction

Is economics an ethics-free zone? Some economists of the twentieth century have often been concerned with making their field free from all normative elements including ethical aspects. This is, they argue, to offer economics as a value-free or ethics-free science. Lionel Robbins, for instance, argued to keep economics and ethics separate: "Economics deals with ascertainable facts; ethics with valuations and obligations."[1] We, however, hold that it is very hard to conceive economics as an enterprise free of all values. Economics as a science has no separate source of normativity apart from ethics. Amartya Sen argues that "modern economics has been substantially impoverished by the distance that has grown between economics and ethics."[2] Mainstream economic theories identify rationality of human behaviour with internal consistency of choice and with maximisation of

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[1] Lionel Robbins, *An Essay on the Nature and Significance of Economic Science*, 2nd ed., London: Macmillan, 1935, 148-49.

[2] Amartya Sen, *On Ethics and Economics*, New Delhi: Oxford University Press, 1987, 7.

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self-interest. Human beings are not 'rational fools' to be motivated only by self-interest.[3] Every economic action involves balancing of various self-interests, interests of others and of the aspects of context in which one lives, which clearly demand ethical foundations.[4]

In his recent work, *The Idea of Justice*,[5] Sen argues that philosophers have something to learn from economists. Philosophers' question "What is a just society?" according to Sen, leads them to develop "transcendental conceptions of justice" that aim to provide the blueprint of a perfectly just social arrangement. However, if the goal is "identification of patent injustices on which reasoned agreement is possible," a transcendental conception of justice, he argues, is neither sufficient nor necessary.[6] We argue that the transcendental approach that is common in contemporary moral philosophy can learn some important elements from the comparative approach that is central to economics and social choice theory. Ethics should not be construed as the search for a transcendental model of a society.

Our arguments are two-fold: (a) an exercise of practical reason that involves actual choice demands a framework for comparison of justice for choosing among the feasible alternatives and not an identification of a possibly unavailable perfect situation that could not be transcended. So if all normative political judgements concerning justice involve a choice, no transcendental theory would be needed; and (b) the redundancy claim does not involve rejection of ideals, abstractions and theorising. Yet it rejects identification of a perfectly just social arrangement. In other words, we argue that Sen rejects a 'monological' approach of the transcendentalists in contrast to a 'dialogical' approach to justice, which he wants to defend. He, however, does not downplay the role of ideal theories and conceptions.

2. Approaches to Justice: Transcendental and Comparative

Sen thinks that there is a widespread misunderstanding concerning the subject matter of a good theory of justice. In contemporary political philosophy, discussions of theories of justice are predominantly focused on a central question: "what is a just society? This question of the contractarian tradition is "neither a good starting point" nor a plausible "end point" for a useful theory of justice (IJ, 105).[7] According to Sen, what characterises the transcendental approach is first, it concentrates its attention on what it identifies as perfect justice, rather than on relative comparisons of justice and injustice, and second, in searching for perfection, it concentrates primarily on getting the institutions or a sovereign state right, and it is not directly focused on the actual societies that would ultimately emerge (IJ, 5). This social contract approach was pioneered by Thomas Hobbes in the seventeenth century, and later supported by European Enlightenment thinkers including Jean-Jacques Rousseau, John Locke and Immanuel Kant. Sen believes that this approach has been the strongest influence in the analysis of justice even in our own times. This approach imagines a social contract: a hypothetical contract concerning social organization that the people of a sovereign state can be imagined to have endorsed and accepted. This "transcendental institutionalism" is followed by John Rawls, Robert Nozick, Ronald Dworkin, David Gauthier and others. Sen argues that the nature of the society that would result from any given set of institutions must depend also on some non-institutional features, such as the actual behaviour of people and their social interactions (IJ, 5-6).

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[3] Amartya Sen, "Rational Fools: A Critique of the Behavioural Foundations of Economic Theory," *Philosophy and Public Affairs* 6 (1977), 317-44.

[4] For a detailed exposition of this theme, see my article "Authentic Development and Responsibility in Economics," in *Schumacher Reconsidered: Advances in Responsible Economics*, ed. Hendrik Opdebeeck, Oxford: Peter Lang, 2012, Chapter 5.

[5] Amartya Sen, *The Idea of Justice*, London: Penguin Books, 2009. Hereafter this work will be abbreviated as IJ.

[6] Amartya Sen, *Development as Freedom*, Oxford: Oxford University Press, 1999, 287.

2.1. Pitfalls of Transcendental Approach

Sen finds two major problems with transcendentalism. The first concerns "the *feasibility* of finding an agreed transcendental solution," for there may be no reasoned agreement among members of a community on the nature of the 'just society,' even under strict conditions of impartiality and open-minded scrutiny (IJ, 9). Criticising Rawls's transcendental approach, Sen argues that we cannot be certain that we will reach reasonable agreement on one unique set of principles of justice given the context of the plurality of reasons for justice. Rawls also, indeed, thinks that citizens may "differ as to which conceptions of political justice they think most reasonable."[8] This concession, however, does not allow Rawls to say much about how a particular set of institutions would be chosen on the basis of a set of competing principles of justice. Put differently, there are diverse ways of leading a just life, and this is a mark of human freedom. There is a real difficulty, therefore, in determining what a perfectly just social arrangement would be. Thus Sen argues that such agreement is neither sufficient nor necessary for achieving agreement on how to render a current state of affairs more just.

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[7] Amartya Sen, "What Do We Want From a Theory of Justice?" *Journal of Philosophy* 103, 5 (2006), 215-18; "Economics, Law, and Ethics" in *Against Injustice: The New Economics of Amartya Sen*, eds. Reiko Gotoh and Paul Dumouchel, Cambridge: Cambridge University Press, 2009, 39-54; "The Place of Capability in a Theory of Justice" in *Measuring Justice: Primary Goods and Capabilities*, eds. Harry Brighouse and Ingrid Robeyns, Cambridge: Cambridge University Press, 2010, 243-45; "Values and Justice," *Journal of Economic Methodology* 19, 2 (2012), 101-108. Sen uses 'transcendentalism' and 'transcendental institutionalism' interchangeably.

Social justice, Sen holds, is intrinsically plural in character: it is "genuinely plural, and [includes] sometimes conflicting, general concerns that bear on our understanding of justice" (IJ, 57). This deep pluralism in the demands of justice is strongly reflected in his story of the flute and the three children. Anne, Bob and Carla are quarrelling over which of them should get a flute, and each appeals to a different ground of justice. Anne claims the flute on the ground that she is the only one of three who knows how to play it; it would be quite unjust to deny the flute to the one who can actually play it. Bob argues that he should have the flute by pointing out that he is the only among the three who is so poor that he has no toys of his own. Carla claims the flute by arguing that she was the one who ardently worked many months to make it. An economic egalitarian may support Bob, who is the poorest among the three, in order to reduce gaps in the economic means among the three children. A libertarian may support Carla's argument, since she is the maker of the flute. A utilitarian hedonist may support Anne by arguing that her pleasure is likely to be greater because she is the only one who can actually play the flute. It is difficult to dismiss any of these claims as foundationless. All three demands are based on seemingly reasonable conceptions of social arrangements and principles that should govern the allocation of resources. As Sen writes, it is not only that "theorists of different persuasions, such as utilitarians, or economic egalitarians, or labour right theorists, or no-nonsense libertarians [...] would each argue for totally different resolutions," but also that each theorist may recognise that there is some validity to the other claims (IJ, 13). Similarly, it is not just that the interests of the three children differ, but that "the three arguments each point to a different type of impartial and non-arbitrary reason." We cannot easily imagine the existence of "any identifiable perfectly just social arrangement on which impartial agreement would emerge" (IJ, 12-15). Many contemporary political theorists who follow the social contract model believe that there is ultimately some single and unified answer to the question of what social justice requires. In this they fail, Sen claims, to recognize the plurality and diversity of values. The non-availability of an agreed-upon transcendental solution due to plurality of reasons for justice, however, does not make it impossible to find some relational comparative conception of justice. Pluralistic conceptions of justice do not necessarily assume uncertainty in policy making, but only makes more difficult the task of political thinking.

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[8] Rawls also discusses the difficulties in reaching a unique set of principles to guide institutional choice in the original position in his later works. See *The Law of Peoples*, Cambridge: Harvard University Press, 1999, 137; *Justice as Fairness: A Restatement*, ed., Erin Kelly, Cambridge: Harvard University Press, 2001, 132-34. Rawls wants first to construct a "public framework of thought" and then, in this framework, allow for different interpretations. Sen, by contrast, wants first to ask what we owe to others as a matter of justice and then, on the basis of practical reasoning and discussion, to determine what justice requires.

The second problem Sen identifies with transcendentalism concerns "the *redundancy* of the search for a transcendental solution" (IJ, 9). Transcendental theories of justice imagine a perfectly just situation; a possibly unavailable perfect situation that could not be transcended or improved. Sen, by contrast, thinks that an exercise of practical reason that involves an actual choice demands a framework for the comparison of various conceptions of justice and for a choice among the feasible alternatives. Problem with the transcendental approach arises not only from the feasibility of finding an agreed transcendental solution, but more from the non-existence of an identifiable perfectly just social arrangement. "If a theory of justice is mainly to guide reasoned choice of policies, strategies or institutions," or if our goal is to identify patent injustices on which reasoned agreement is possible, he argues, "then the identification of fully just social arrangements is neither necessary nor sufficient" (IJ, 15). We shall analyse the *redundancy claim* in greater detail under §3.1. Apart from these deficiencies, Sen argues that transcendental theories explain only a "spotless justice" and maintain a "relational silence," meaning an absence of any comparative implications (IJ, 99).

2.2. Towards a Comparative Reasoning

In contrast to the transcendental approach to justice, comparative reasoning is the starting point in economics and in social choice theory. Sen's criticism of transcendental theories has two goals: first, positively, to prioritise a comparative approach to justice; and second, negatively, to put in question the need for transcendental theories in relation to comparative theories. Sen argues that we must change our focus from "what is a just society?" to a new question, "How can the justice of the present state of affairs be improved?" This investigation is based on another approach that Sen calls "realization-focused comparison" (IJ, 97). Champions of this approach, Sen considers, Adam Smith, Marquis de Condorcet, Jeremy Bentham, Mary Wollstonecraft, Karl Marx, and John Stuart Mill, were mainly interested in "comparisons of societies that already existed or could feasible emerge" (IJ, 7).[9] Sen considers social choice theory – the aggregation and ranking of collective preferences for the making of judgements about different social alternatives – as the main contemporary heir of this tradition. To judge what justice requires of us, here and now, we need only the ability to compare relative justice. We need to focus on the actual realizations and accomplishments and actual behaviour of people rather than on establishing what we imagine are the right institutions and perfect justice. In this way it is a more "inclusive concept," including both the importance of particular institutions and the quality of the consequences they generate.[10] As Sen argues, "Investigation of different ways of advancing justice in a society (or in the world) or of reducing manifest injustices that may exist, demands comparative judgements of justice."[11]

A comparative approach to justice aims to individuate improvements in justice with the help of a social choice theory-based aggregation of individual rankings of alternative social scenarios and proposals for improvement. Sen argues that "the answers that the transcendental approach gives – or can give – are quite distinct and different from the type of concerns that engage people in discussions on injustice and justice in the world" (IJ, 96). Our main concern must therefore be to remedy injustices such as iniquities of hunger, illiteracy, torture, arbitrary incarceration, and medical exclusion. The defender of a transcendental theory can retort that these are cases where we hardly need to do any political theory at all, precisely because all reasonable theories of justice agree that they are unjust.[12] But Sen would respond that what is persistently needed is the "removal of manifest injustice" on which reasoned agreement is possible (IJ, 7).[13] To do this, we do not need a transcendental theory. We can have political theorising, yet need not be, what Karl Popper calls "utopian social engineering," an identification of ideal state.[14] To climb the highest mountain within range, Sen thinks, we do not need to know that Everest is the highest mountain in the world, but rather only which mountains are within range and how to compare them to each other. Similarly, we need not talk about the greatest or most perfect picture in the world in order to choose between two specific alternatives. Hence, Sen concludes that "there would be something deeply odd in a general belief that a comparison of any two alternatives cannot be sensibly made without prior identification of a supreme alternative" (IJ, 101-02). Reducing poverty would constitute progress towards justice even without ultimately knowing what principles of justice people would agree to in a perfectly just social arrangement. If we make a grand division between the 'just' and the 'non-just,' as a transcendental theory of justice aims to do, this would leave the society on the 'non-just' side even after some reforms. Are there not some manifest injustices that are more patent than others? In a comparative perspective, Sen argues, we can see such reforms as justice-enhancing changes.[15] This is because a comparative approach ranks alternative social arrangements, according to whether some social arrangement is 'less just' or 'more just' than another. Sen rightly argues that comparative questions are inescapable for any theory of justice because they give "guidance to public policy or personal behaviour."[16] According to the capability approach, we may compare different distributions of capabilities in order to judge the advantages held by different individuals.

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[9] Sen's categorization of theorists of justice may be questionable. Sen regards Hobbes as the pioneer of the social contract approach and as less interested in the actual behaviour of people than in institutions. Yet one could argue that Hobbes' account of the necessity of institutions of political authority is based on an analysis of how people behave under conditions where such institutions are absent. Similarly, Marxist communism can hardly be said to aim at 'improving' the present state of affairs, or 'removing' manifest injustice. I do not enter into these discussions here.

[10] Sen, "Value and Justice," 105.

[11] Sen, "What Do We Want from a Theory of Justice?" 217.

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[12] Ronald Dworkin, *Justice for Hedgehogs*, Cambridge: Harvard University Press, 2011, 477; Adam Swift and Stuart White, "Political Theory, Social Science, and Real Politics" in *Political Theory: Methods and Approaches*, eds., David Leopold and Marc Stears, Oxford: Oxford University Press, 2008, 51-52; Christian Schemmel, "Sen, Rawls – and Sisyphus," *Indian Journal of Human Development* 5, 1 (2011), 203.

[13] Critics like Saju Chackalackal argue that if people could reach at a reasonable agreement on the elimination of manifest injustices, "why not we aim at the same agreement with regard to the ideal understanding of justice through public discussion." See "In Defence of Theoretical Ethics: A Critique on Amartya Sen's *The Idea of Justice*," *Journal of Dharma* 35, 4 (2010), 378. This criticism is not convincing due to two reasons: First, reasonable people continue to disagree on the nature and the exact demands of a perfectly just society. Yet this will not preclude an agreement that major improvements can be made in reducing injustice through elimination of remediable outrages such as needless hunger and starvation, removable illiteracy, correctable insecurity, or the prevalence of torture. Second, perfectly just social arrangement is not available. A transcendental approach for a non-available utopia will land us in the remote exercise of looking for a black cat in a dark room that may or may not be there at all.

[14] In his popular work *The Open Society and its Enemies*, New Jersey: Princeton University Press, 1950, 154-64, Popper makes an important distinction between "utopian" and "piecemeal social engineering." Utopian social engineering demands that we must determine our ultimate political goal, or the Ideal State, before taking any practical action in politics. Accordingly, "only when we are in possession of something like a blueprint of the society at which we aim, only then we can begin to consider the best ways and means for its realisation, and to draw up a plan for practical action." This approach reminds us of the priority of transcendental normative theory. Piecemeal social engineering, by contrast, supported by Popper's arguments, instead of designing for the ideal state, focuses on "the greatest and most urgent evils of society, rather than searching for, and fighting for, its greatest ultimate good." The piecemeal engineer can reach a "reasonable agreement" of great number of people fighting against manifest injustices than the fight for establishment of some ideal state (154-55). This idea strongly resembles in Sen's writings (opening words of IJ), when he says that "what moves us, reasonably enough, is not the realisation that the world falls short of being

Sen relates the transcendental and comparative approaches to an old distinction made in Sanskrit between ethics and jurisprudence. Two different words in classical Sanskrit, *niti* and *nyaya*, stand for justice. The term *niti* is used mainly to indicate an organizational property and behavioural correctness, whereas the term *nyaya* stands for a comprehensive concept of realized justice. *Nyaya* is more discursive than *niti*, which follows a more definitive and consequence-independent reasoning (IJ, 210-14). As discursive, the former, *nyaya*, takes up a comparative weighing of available positions and looks for better and more acceptable consequences or realizations in personal and social life, rather than merely concerning itself with a transcendental view of justice. Sen cautions against all temptations to reduce *nyaya* to just a rigid consequential outcome that ignores the significance of social processes,

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completely just – which few of us expect – but that there are clearly remediable injustices around us which we want to eliminate" (IJ, vii).

[15] Sen, "What Do You Want from a Theory of Justice?" 217.

[16] Sen, "The Place of Capability in a Theory of Justice," 244.

efforts and conducts. In his broad consequentialist approach, Sen does not downplay the importance of the "reasoning underlying deontological concerns" (IJ, 22). He explains a *nyaya*-based approach as "a full characterisation of realisations [which] should have room to include the exact processes through which the eventual states of affairs emerge" (IJ, 24). In other words, this approach does not involve a process-independent view of consequences, but rather argues that an appropriate understanding of social realization must take the more comprehensive form of a process-inclusive account.[17]

One may doubt whether this comparative approach of the capability theory is able to provide answers to transcendental questions. For transcendental approach is based on an assumption that a systematic disciple of a theory of justice must be a complete one. Sen argues that "a systematic and disciplined theory of reasoned evaluation" need not be "totalist," with a built-in capacity to compare every pair of alternatives. An assessment of social justice need not take a "totalist" form (IJ, 103). It seeks productive directions for reform rather than full optimality. It may be easier to identify areas in need of improvements, or at least areas to be preferred on the basis of several criteria. An analogy may be useful here. Imagine that we see two peaks, each disappearing into the clouds such that we have no way to say which is higher. Neither has been surveyed. A transcendental theorist may be stunned, but a relational reformist may secure some agreement that we should proceed up a path that leads to the col separating two peaks. The col will definitely be higher than our starting point.[18] We do not need a perfect idea of their heights to make our travel possible. Our lack of a perfectly complete idea of the state of affairs in this case is not a hindrance to our journey. Transcendental theories of a Rawlsian derivation regard incompleteness as a failure; a sign of the unfinished nature of the exercise. Yet incompleteness, on Sen's account, is not a problem, but rather a part of the process of reasoned evaluation. Justice is "a work in progress."[19] We cannot anticipate every novel conflict that will require further elaboration, discovery and interpretation. In the same way, our theories and values must be regarded as revisable (IJ, 106, 242). Several reasons may contribute to the incompleteness of a theory, including gaps of information, pluralism of values, conflicting claims on equity considerations, and so on. Despite this apparent ambiguity, we can reach a reasonable agreement that there are social failures involved in the failure to address problems of persistent famines, access to medical care, basic food and clothing. These injustices call "urgently for remedying" (IJ, 104).

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[17] Sen, "Maximization and the Act of Choice," *Econometrica* 65, 4 (1997), 745-79.

[18] A. B. Atkinson, "Public Economics after *The Idea of Justice*," *Journal of Human Development and Capabilities* 13, 4 (2012), 529.

[19] David Schmidtz, "Nonideal Theory: What It Is and What It Needs to Be," *Ethics* 121, 4 (2011), 783.

Even if every person had a complete ranking of the possible social arrangements and if all people could reach an agreement on standard forms of justice, Sen argues, incompleteness would still arise if distinct persons continued to assess this ranking and agreement differently. Transcendental theories may bracket out an individual's vested interests and personal priorities by applying the device of the 'veil of ignorance.' Yet there may remain differences concerning how each assesses "social priorities, for example in weighing the claims of needs over entitlement to the fruits of one's labour" (IJ, 104). Both incompleteness in individual evaluation and incomplete congruence in individuals' assessments, Sen argues, make it a hard task to reach judgements in matters of social justice. Yet this incompleteness does not hinder the making of comparative judgements about justice; we may reach an agreement on "pairwise rankings" and evaluate how to enhance justice and reduce injustice.[20] This is also called a "relational approach" to justice (IJ, 104-05).

The main concerns of traditional economic theories in the history have been with questions of rationality, such as 'internal consistency' of choices or the 'completeness' of evaluation. Subsequently ethical considerations that could contradict these rationality requirements have been exported outside economic models. Internal consistency of choice requires "inter-menu correspondence," that means, "relating choices from different subsets to each other."[21] Completeness requires an evaluation that compares all pairs of social states and ranks each as better, worse, or indifferent. As long as these conditions of rationality are satisfied, the model is taken to be morally neutral, whatever results it may bring. As long as it does not contradict the conditions of rationality, any ethical consideration whatsoever can be introduced regardless of its plausibility. Sen redefines rationality as a discipline of thinking, or systematic use of reason, which reflects, as well as revises, an individual's goals, values, strategies, and motivations in view of relevant information.[22] To accept external viewpoints including ethical criteria that might constrain the individual's interest is neither irrational nor outside of the requirements of rationality. Likewise, the aspect of incompleteness, in either individual or social preference never implies a deficit of rationality. Rather, "systematic guidance to reasoned decisions can come from incomplete ordering that reflect unsolved conflicts."[23] Incompleteness is not a failure in an economic theory. Rather it suggests the existence of diverse values that may potentially conflict each other and hence deserve attention. If our goal is to identify an "ideally just society," we need a totalist approach. We do not need this as we do not aspire for a perfectly just social arrangement, but want to avoid "patent injustice" which needs a relational approach to justice. As Sen argues, "welfare economics has always been concerned with comparative rather than transcendental questions, no matter whether the subject matter has been policy choice or institutional choice."[24] What philosophical theories of justice need to learn from economics, argues Sen, are the joys and difficulties of comparing. Social choice theory, for instance, compares and ranks social states in relation to one another as less just, or more just. This opens a space in which we can rationally evaluate different situations and judge of their urgency. In comparative reasoning, identification of perfectly just system is "irrelevant."[25]

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[20] Sen, "Incompleteness and Reasoned Choice," *Synthese* 140, 1/2 (2004), 43-59; Isaac Levi, "Amartya Sen," *Synthese* 140, 1/2 (2004), 61-67. Pair-wise ranking is a tool that helps us to identify preferences and hence to reach at an agreement on most important needs and concerns of the people.

[21] Sen, *Rationality and Freedom*, Cambridge: Harvard University Press, 2002, 122.

3. Objections and Claims

Sen makes two charges against the transcendental approach: the insufficiency charge and the non-necessity charge. These charges amount to two important claims: a priority claim and a redundancy claim, respectively. The insufficiency charge is based on an assumption that the kind of full specification of a perfectly identified institutional and social arrangement sought by the transcendental approach is not sufficient for guiding and making comparative evaluations on justice. The non-necessity or redundancy charge is based on an assumption that this kind of identification of fully just social arrangement is not necessary for a comparative approach to justice. The priority claim explains that we need to shift our priorities from transcendental theorising towards thinking about justice-enhancing changes. Sen holds that political philosophers should be centrally concerned with making comparative judgements of justice in a way inspired by the social choice tradition. The redundancy claim explains that we do not need a perfectly identified social arrangement in order to make comparative judgements on justice. As this claim is widely misunderstood, many critics have complained that it is mistaken.[26] We argue that Sen does not make a *general* redundancy claim, but rather a *specific* claim concerning the non-necessity of a transcendental theory for comparing alternatives. His objection lies in doing theories in the Rawlsian sense where transcendentalism and institutionalism brought together in a theory of justice. Sen however recognises that "an 'ideal theory' may often be helpful in understanding the underlying ideas that even a practical theory of actual decision making may utilize."[27]

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[22] Sen, *Rationality and Freedom*, 19.

[23] Sen, *Rationality and Freedom*, 468.

[24] Sen, "Economics, Law and Ethics," 48.

[25] Sen, "Economics, Law and Ethics," 51.

An ideal theory proposes an idealization of a particular situation, which entails some unique characteristics in that it identifies some perfectly just set of institutions and perfectly just society. This theory may not offer any immediate or workable solutions to the persistent problems in a society. Ideal situations and full compliance are assumed, full knowledge is supposed, and ideal institutional patterns are framed in order to offer an ideal theory. Non-ideal theories, by contrast, are formulated to make feasible recommendations concerning the questions of justice that are both "achievable and desirable." While Sen defines the role of comparative theories as that of identifying possible ways of advancing justice, he implicitly distinguishes not between transcendental and comparative theories of justice in general but between transcendental theories and a specific subset of comparative theories, namely those that rank *viable* societal arrangements.[28] Insofar as ideal theories of justice are neither reasonably imaginable and nor politically feasible in practice, Sen's categorisation of transcendental theories will also place them into the category of ideal theories, whereas comparative theories will fall into the non-ideal category. Sen does not oppose all the theoretical investigations of Rawls, Dworkin and other ideal theorists. His criticism is not against ideal theories as such, or against idealisations or abstractions,[29] but mainly against identifying a perfectly just social arrangement or institution. Sen thinks there are serious problems in the present-day "overpowering concentration on institutions" as opposed to the lives that people are able to lead (IJ, xi).

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[26] Ingrid Robeyns, "Ideal Theory in Theory and Practice," *Social Theory and Practice* 34, 3 (2008), 341-62; "Review Symposium on Amartya Sen's *Idea of Justice*: Are Transcendental Theories of Justice Redundant?" *Journal of Economic Methodology* 19, 2 (2012), 159-63; Schemmel, "Sen, Rawls – and Sisyphus," 197-210; Evan Riley, "Against Sen against Rawls on Justice," *Indian Journal of Human Development* 5, 1 (2011), 211-21; Chackalackal, "In Defence of Theoretical Ethics," 369-92.

[27] Sen, "Values and Justice," 106.

[28] Zofia Stemplowska, "What's Ideal about Ideal Theory?" *Social Theory and Practice* 34, 3 (2008), 324-25.

3.1. Reconsidering the Redundancy Claim

Sen cites two objections raised against the redundancy claim by Ingrid Robeyns. First, he cites Robeyns's claim that "a number of basic injustices do not need ideal theory in order for us to understand and agree that they concern gross injustices," yet "many cases of injustice are complex and often subtle."[30] We thus find it more difficult to identify and analyse cases of complex injustice than cases of basic injustice. In other words, judgements on "the comparison of *complex* cases of injustice implicitly or explicitly do refer to ideals of justice."[31] Robeyns offers the case of gender justice in liberal societies as an example of a complex case. In many of these societies, she thinks, citizens believe that gender justice is fully realised. To analyse a claim of perfect injustice, she argues, we need a transcendental theory of justice.

Yet this objection to the redundancy claim is not convincing, which becomes apparent once we note that Sen's redundancy claim is an analytical proposition. Consider Sen's analogy: To show that a certain state of affairs X is comparatively unjust, we merely have to show that there is another feasible alternative Y (whether or not ideal) that is less unjust than X. We need not invoke some quite different alternative, say Z, as the very 'best' social arrangement and we need not raise the question of whether X is less unjust than some ideal state Z. This means that appreciating a particular state of affairs does not directly involve the idea of an ideal state (IJ, 101). When we compare some states of affairs X and Y, we implicitly relate each to some ideals of justice that may be composed of different elements, though never to a perfectly ideal state. This general analytical proposition is valid irrespective of whether the cases of injustice are basic or complex. Can we specify certain pre-conditions that will certainly bring about a perfectly just world with respect to gender relations? We think we cannot. Two reasons for this seem apparent: (a) It is not feasible to look for universal agreement on transcendental principles in a world where there exists a plurality of conceptions of perfect gender justice. Different people may argue that the present divisions are not truly just, without agreeing on any one formula for achieving an ideally just division of opportunities or decisional powers. (b) To demonstrate the unjust nature of social or economic divisions between genders, it is not necessary to persuade people to agree on what "the perfectly gender just world" would look like.[32] One can, for instance, quite independently of such a perfect conception, say that the ideal of gender equality is better realised in Belgium than in Afghanistan. To persuade people to agree on a single ideal state of gender equality might, I suspect, even privilege some particular ideological group.[33]

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[29] Onora O'Neill makes a unique distinction between abstraction and idealisation. An abstraction is a generalisation, without being a false assumption about the world. An idealisation is also a generalisation, but one based on false assumptions. Non-ideal theorists, according to her, defend ideals that rely on abstraction, whereas ideal theorists rely on idealisation. See "Abstraction, Idealisation and Ideology in Ethics," in *Moral Philosophy and Contemporary Problems*, ed. J. D. G. Evans, Cambridge University Press, 1987, 55-69. We do not assume this conceptual distinction in our analysis. Idealisation is a possible move within theories and hence we cannot accept idealisation as a sensible way of distinguishing between ideal and non-ideal theory. We do hold, however, that there can be good and bad idealisations. Idealisations are also forms of abstraction. Theory construction requires that we use these abstractions.

[30] Robeyns, "Are Transcendental Theories of Justice Redundant?" 160.

[31] Robeyns, "Are Transcendental Theories of Justice Redundant?" 160-61, emphasis in original; "Ideal Theory in Theory and Practice," 345-46.

The second argument against Sen's redundancy claim operates at two levels: (a) Non-transcendental theorising guides our justice-enhancing policies and actions, and Robeyns thinks that "non-transcendental theorising of justice *entails but is not limited to* the comparative approach to justice." She argues: "non-transcendental theorising of justice also includes theorising on how to weigh different principles of justice, or theorising on what to do if in the long run we can achieve a more just state, but whereby this requires sacrificing one generation for the sake of the following generations." This observation leads her to argue that non-transcendental theories of justice require a transcendental theory. (b) Robeyns argues that in order to make a reasonable decision on a particular issue, we need to consider different feasible paths. A reasonable decision requires, she believes, a vision of our "ultimate goal, that is, a transcendental principles of justice."[34]

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[32] Sen, "A Reply to Robeyns, Peter and Davis," *Journal of Economic Methodology* 19, 2 (2012), 175.

[33] Charles Mills, a radical proponent of non-ideal theory in the justice debate, for instance, argues that ideal theory is not only irrelevant and useless but also ideological and therefore potentially dangerous. See "Ideal Theory as Ideology," *Hypatia* 20, 3 (2005), 165-84.

We do not think that a transcendental theory by *itself* necessarily entails features of non-transcendental theorising, which guide our policies and actions on justice. As Sen argues, a transcendental theory cannot be a "conglomerate theory," resolving transcendental and comparative issues simultaneously (IJ, 67). However, a transcendental theory can extend to non-transcendental theorising in the style of Dworkin.[35] A non-transcendental theory may employ ideals, abstractions, and ideal theories, yet there is a difference between "ideals of justice" and the "identification of ideal states." Ideals of justice may motivate us to aspire to higher goals, whereas the identification of ideal states demands a transcendental conception of a perfectly just social arrangement. Robeyns seems to defend the latter. Democracy, for instance, is a great ideal. Yet we may not have a single transcendental conception of a democratic state. Each culture and society may interpret democracy differently. To pursue a better democracy, we do not need an imaginable identification of a perfect democracy, which by its nature does not exist. In other words, a transcendental route is not necessary for comparative reasoning. It is not necessary to identify an ultimately "just social state" to decide on a better or more feasible path. Robeyns, by contrast, subscribes implicitly to Rawls's claim against non-ideal theories, namely that they lack an ultimate target.[36] Robeyns imagines a complete "navigation map" which, she believes, can enable us to reach a perfectly just social arrangement. Yet it seems clear that such a utopia is not required for a relational theory of justice. Apart from that, "every theory simplifies, just as every map does, and for the same reason." We cannot draw a map without choosing what to leave out, and a good abstraction isolates what is most relevant to successful navigation. Sen does not oppose this kind of idealization.[37]

Robeyns' dilemma is something like the following: on the one hand, she wants to prioritise comparative theories over transcendental theories, but on the other hand, she finds it difficult to do without some identification of an ideal "social state" in making comparisons of justice. Such identification is necessary, she thinks, to serve as an anchor for making right judgements in matters of comparative justice. Her search for a 'methodological basis' for a non-ideal theory thus seems to end up forwarding arguments for a transcendental identification of ideal states.[38] Sen, by contrast, stresses that the procedure of democratic ideal is an adequate methodological basis for making judgements about justice. Robeyns wants to fix where "the *endpoint* of the journey lies."[39] Identification of an endpoint is typically a characteristic of transcendental theories, yet it seems clear from Sen's analysis that justice has no endpoint. We can have only the possibility of bettering justice in particular situations. Sen's distinction between an "optimal set" and a "maximal set" in economic theory is useful to explain this point. An optimal set means choosing a "best" alternative among the feasible options. To get a maximal set requires "choosing an alternative that is not judged to be worse than any other."[40] Optimization is quite unnecessary for maximisation. If our goal is to describe an ideally just society, then comparison should include every alternative and lead to an "optimum." However, if it is to avoid "patent injustices," we do not need to identify the "optimal set." [41] We must aim at progressive reform rather than transcendental optimality.

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[34] Robeyns, "Are Transcendental Theories of Justice Redundant?" 160-61, emphasis in original.

[35] Ronald Dworkin, *Sovereign Virtue: The Theory and Practice of Equality*, Cambridge: Harvard University Press, 2000, Part II.

[36] Rawls, *The Law of Peoples*, 90.

[37] Schmidtz, "Nonideal Theory: What It Is and What It Needs to Be," 776-77.

3.2. Targets-Role of a Theory

Someone could argue that a course of action that appears to advance justice will not succeed in achieving that goal unless we know what that long-term goal is. We do not think that an ideal theory is needed to define our targets and goals. Sen holds, as we have seen, that we need not know how high Everest is if our goal is to compare lesser mountains (IJ, 101). John Simmons responds, "we can hardly claim to know whether we are on the path to the ideal of justice until we can specify in what that ideal consists." Employing the Everest analogy, Simmons concludes that "which of the two smaller peaks of justice is the higher (or more just) is a judgement that matters conclusively only if they are both on equally feasible paths to the highest peak of perfect justice."[42] On Simmons' reading, Sen is claiming that, although justice is the highest peak on a hilly terrain, we need concern ourselves only with local gradient climbing. For so long as we climb, we reach the highest peak sooner or later. Simmons opined that blindly groping for local high ground is as likely to lead away from Everest as toward it. Some immediate steps may not be improvements towards justice, but rather conversely may lead us further from our target. Simmons thinks that even if Sen is right that we do not need ideal theories to play the urgency role, we need them to play the target role.[43] If we take this interpretation, then clearly Simmons is right and Sen is wrong, yet this analogy could be misleading. Sen, however, is making a different argument here. For Sen, "the terrain's outstanding landmarks are injustices: pits in an otherwise featureless plane."[44] Justice has no peak-form; all we need to know are the pits. As Sen states, "the greatest relevance of the idea of justice lies in the identification of patent injustice, […] rather than in the derivation of some extant formula for how the world should be precisely run."[45] There is no perfectly identified destination to arrive at, such as Everest.

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[38] Robeyns, "Ideal Theory in Theory and Practice," 348-49.

[39] Robeyns, "Ideal Theory in Theory and Practice," 345.

[40] Sen, *Rationality and Freedom*, 160.

[41] Sen, *Rationality and Freedom*, 181-82.

[42] A. John Simmons, "Ideal and Nonideal Theory," *Philosophy and Public Affairs* 38, 1 (2010), 34-35.

Justice is not a place we pursue and which we hope to reach. Sen considers that identifying perfect justice and comparing imperfect social states are analytically disjoined. Our targets can be short-term or long-term. Indeed we do need to know what goal our journey is directed towards. A target need not be an ideal state, and it may be revised at any time by means of practical reasoning. As James Tully rightly points out, our focus must be more on "practices of freedom" than on "settled forms of justice" or perfectly identified just institutions.[46] For this, we must concentrate more upon sustaining a permanently critical attitude toward uncovering particular modes of oppression than upon some articulation of transcendental institutions and rules of right governance.

4. Interface of Economics of Justice

Justice, for Sen, is a relational concept, and this in two senses. First, we cannot answer the question of justice without relating it to other normative concepts such as liberty, equality, reasoning, democracy, etc. Second, the idea of justice can be relative, given that people have different conceptions of a just society. As Sen's parable of flute and three children suggested, this conception may at least be utilitarian, egalitarian, or libertarian. Taking practical reasoning as a means to develop a comparative approach to justice, Sen maintains that the transcendental approach is not helpful. Critics may argue that such a post-modern approach lacks a proper foundation.[47] Yet such an objection seems to be based on an assumption that one must identify a perfectly just society in order to take a comparative route. Neither we nor Sen subscribe to such a view. The foundations of a comparative approach are persons living in a community, and their capabilities. Sen's notions of capabilities and freedoms imply an ontology of a relational society. Within a relational conception of society, a particular capability is the outcome of the interaction of an individual's capacities and position relative to others in the society. To understand the relative position of an individual in a society, we do not necessarily need a transcendental model. Hence, comparative judgements about justice, as Sen says, "have to take on board the task of accommodating different kinds of reasons and evaluative concerns" of a society (IJ, 395). Instead of neglecting or reducing various competing theories, therefore, Sen sees a kind of complementarity among various positions that clamour for prominence. For such an approach to justice, there is no need to investigate the ontological objectivity of ethics (IJ, 41).

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[43] Simmons, "Ideal and Nonideal Theory," 5-36.

[44] Schmidtz, "Nonideal Theory: What It Is and What It Needs to Be," 774.

[45] Sen, *Development as Freedom*, 287.

[46] James Tully, "Political Philosophy as a Critical Activity" in *What is Political Theory?* eds., Stephen K. White and J. Donald Moon, London: Sage Publications, 2004, 97-98.

Although Sen vindicates and prioritises the comparative approach, he does not altogether reject ideal theory. His main objection concerns the bringing together of transcendentalism and institutionalism in a single theory. We can have a transcendental theory, he thinks, that focuses on social realisations. Similarly, we can have institutional assessments in comparative perspective (IJ, 6). But every identification of transcendental institutions must be avoided. In an Aristotelian spirit, Sen thinks we must consider seriously the nature and requirements of practical reasoning in order to think clearly about the subject of justice. But the modernists hold that world can only be explained in terms of a set of relatively self-contained abstract principles.[48] Sen rejects this view. Take the story of the flute and the three children. None of their claims is sufficient to determine who ought to get the flute. Hence, we should instead approach the subject of justice by asking how people reach agreement over what they regard as not just, not begin by asking what justice *per se* requires. Sen gives priority to methodological reasoning in his approach to the subject of justice. Thus in contrast to the 'monological' approach of the transcendentalists, Sen promotes a 'dialogical' approach to justice.[49]

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[47] Chackalackal, "In Defence of Theoretical Ethics: A Critique on Amartya Sen's *The Idea of Justice*," 369.

[48] John B. Davis, "The Idea of Public Reasoning," *Journal of Economic Methodology* 19, 2 (2012), 169-72.

We may agree with Sen that finding a theoretical standard of perfect justice is a chimerical goal. Robust disagreement is part of the landscape of debates on this issue. Sen does not wholly dismiss ideal theory in favour of practical theory. He believes that "an 'ideal' theory may often be helpful in understanding the underlying ideas that even a very practical theory of actual decision making may utilize."[50] Yet Sen offers no explicitly systematic exposition of ideal theories. He imagines a capability-fostering institutional design as his ideal theory. The ability to reason and interact that gives us the power to engage in public reasoning and discussion enhances the relevance and reach of agency freedom. This aspect of freedom plays an important role in understanding Sen's conception of justice. This does not mean that all people will undertake these activities of reasoning and interacting. Sen recognises that a theory of justice that is based on practical reasoning is not free from controversies (IJ, xvii). As Kwame Anthony Appiah has rightly objected, "in adopting the perspective of the individual reasonable person, Sen has to turn his face from the pervasiveness of unreason."[51] If any ideal theorising deserves similar objections such as this, it seems clear that Sen's idealisation is not an exception. In response to this evaluation, Sen argues that the engagement of unreasoning takes place not entirely without reasoning, but rather exhibits a reliance on "defective reasoning." He subsequently proposes that "bad reasoning can be confronted by better reasoning" (IJ, xviii, 48-49). In this way, he engages comparative assessments in the case of reasoning. This is not to deny the far-reaching role of the emotions and the passions, but to prioritise reason over passion.[52] We cannot imagine that societies all over the world have become deliberative-democratic in order to achieve a more just order, as Sen argues. In this way, ideals, good idealisations, and ideal theories are all implicitly part of Sen's theory as well.

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[49] To put this point differently: Political realists draw on Bernard Williams' "bottom-up" approach and argue that we must start from where a given society *is* and only then ask how best to address actual problems of justice, rather than starting from general, universal and monological principles. In contrast to this approach, some follow a "top-down" methodology, according to which we must first specify an ideal state in order then to elaborate a non-ideal theory. They believed that we cannot develop non-ideal theory without first working out an ideal theory and, hence, take a transcendental route to realize non-ideal theory. See Bernard Williams, *In the Beginning Was the Deed: Realism and Moralism in Political Argument*, Princeton: Princeton University Press, 2005, 61.

[50] Sen, "Values and Justice," 106.

[51] Kwame Anthony Appiah, "Sen's Identities" in *Arguments for a Better World: Essays in Honour of Amartya Sen*, vol. 1, eds. Kaushik Basu and Ravi Kanpur, Oxford: Oxford University Press, 2009, 488.

5. Conclusion

Our world is not a value-free zone. Yet non-commensurability of values and schools of thought make us panic. People may differ on what kind of life one must lead, what can or cannot do, and what can or cannot be. This does not hinder us to reach a definitive decision. Rather this plurivocity demands prioritisation and weighing of distinct concerns. Our disagreements may be removed through reasoning or redefined by new convictions. Justice is an ideal with many faces. Sen prioritises a comparative approach to justice (*nyaya*) over any identification of a perfectly just social arrangement (*niti*). Concerning the redundancy of the transcendental approach, Sen remarks that an exercise of practical reason that involves actual choice demands a framework for comparison of justice for choosing among the feasible alternatives and not an identification of a possibly unavailable perfect situation that could not be transcended. So if all normative political judgements concerning justice involve a choice, no ideal theory would be needed.

We argue that the economists' approach to justice and injustice through the comparative route is significant, rather than remaining confined by the moral philosophers' usual preference for the transcendental approach. Sen's purpose should not be confused as a practical short-cut that dispenses with the need for sophisticated theory. Rather the making of a comparative judgement is a necessary feature of practically reasoned social reform. Our exploration for an unavailable ideal state would not only distract our attention from actually existing injustices but also to maintain a theory that conserves the status quo.

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[52] Thomas Nagel makes a strong defense of reason in his *The Last Word*, Oxford: Oxford University Press, 1997, 101-12.

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SUSTAINABILITY ETHICS AND THE ECO-FEMINIST ETHICS OF CARE

Rica de los Reyes Ancheta◆

Abstract

Sustainability ethics banks on the program of sustainable development. Sustainable development, however, is riddled with ambivalence (with the weak form or economic sustainability and the strong form or world sustainability) which renders its normative claim questionable. This paper brings into surface this ambivalence, critiques the weak form of sustainability as untenable and endorses strong sustainability substantiated by the principle of care in eco-feminist ethics. Using the ecofeminist practice and language of care, sustainability is challenged to take a serious turn to individual and collective accountability and political will that reinterprets the Biblical notion of *rada* (dominion) as a capacity to Care. The objective is to emphasize the viability of a sustainable world via the ethics of care and to mitigate the importance of economic or weak sustainability if we care to preserve our natural capital for generations to come.

Keywords: sustainability, ecofeminism, caring, green economics, marginal utility, Jevons paradox, kabash, rada, solidarity, community care.

1. Introduction

The concept of sustainable development was first explored in 1972 at the UN Conference on the Human Environment in Stockholm, Sweden. Publications like *How to Save the World* by Robert Allen[1] and *Building a Sustainable Society* by Lester Brown[2] helped the term to gain public attention. It gained prominence in the Brundtland Report, *Our Common Future,* by the World Commission on Environment and Development in 1987. One of its many recommendations is a call for creation of a ''Universal Declaration on Environmental Protection and Sustainable Development.'' It was, however, since the 1992 Earth Summit in Rio de

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[1] Robert Allen, *How to Save the World: Strategy for World Conservation*, New York: Barnes and Noble Books, 1980.

[2] Lester Brown, *Building a Sustainable Society*, New York: W.W. Norton, 1981.

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Janeiro and the promotion of The United Nations' Agenda 21 that it became a buzzword and a desirable policy objective.[3] It is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[4] Sustainable development became the banner for many environmental efforts which include, among others, the promotion of anti-globalization, organic foods, green building, ecodesign, renewable energy, river restorations, pesticide control, protection of wildlife and biodiversity, bicycle commuting, ecotourism, indigenous peoples' and women's rights. It was clearly ranged against business interests and all practices that contributed to the further depletion of natural resources (source) and degradation of the natural environment (sink). Climate change provided dramatic reminders about the objectives of sustainable development. The shift in paradigm about environment and development in mid-80's unveiled the narrowness of approach of environmental problems and manifested the complex interconnectedness between environment and well-being. Recognizing that ecological causes intersect with socio-cultural factors and national and political economies demand a shift in approaches and strategies.[5]

In 2002, The World Summit on Sustainable Development (WSSD) Conference was held in Johannesburg, South Africa. It was in WSSD that sustainable development fully became more holistic and its 3 E's became its core: ecology/environment, which emphasizes on the limits of the ecosystem; economy/employment, which deals with secure employment without jeopardizing the ecosystem, and equity/equality, which connects and integrates broad issues through the sense of community building, in both global and local senses. Crucial to the idea of sustainability is the involvement of numerous stakeholders who must promote it through mutual-help and interdependence at all levels aimed at building communities. The Earth Charter of 2002 represents attempts at international cooperation and consensus among UN members; the Minnesota Planning Environmental Quality Board's Principles of

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[3] Philip Lawn, ed., *Sustainable Development Indicators in Ecological Economics*, Cheltenham, UK/Northampton, MA: Edward Elgar Publishing Limited, 2006, 4; Andres R. Edwards, *The Sustainability Revolution: Portrait of a Paradigm Shift*, Gabriola Island, Canada, 2005, 4, 16ff.

[4] World Commission on Environment and Development (WCED), *Our Common Future*, Oxford: Oxford University Press, 1987, chapter 2, #1.

[5] J. Baird Callicott and Robert Frodeman, eds., *Encyclopedia of Environmental Ethics and Philosophy*, Detroit: Macmillan Reference USA, 2009, 296.

Sustainable Development for Minnesota shows a regional effort; The Netherlands National Environmental Policy Plan is an example of a national attempt, and the Ontario Round Table on Environment and Economy Model Principles focuses on local goals. All of these represent visions and missions to promote sustainability and community.

In broad terms, a nation is achieving sustainable development if it is undergoing a pattern of development that improves the total quality of life of every citizen, both now and into the future, while ensuring its rate of resource use does not exceed the regenerative and waste assimilative capacities of the natural environment. In specific terms[6] we understand sustainable development to mean one or more of the following: non-declining capital (investments are still economically profitable even if portions of it are channelled towards environmental protection), non-declining natural capital (industry and commerce continues but it must not deplete natural resources), increasing economic welfare (economics must see to it that people's well-being is not compromised but maximised), increasing eco-efficiency (technology becomes more efficient in the use and protection of the natural environment), and overshoot avoidance, that is, ecological footprint must not exceed biocapacity (environmental degradation by humans must not exceed the earth's natural capacity for waste assimilation and regeneration). In other words, the shift in various foci of environmental thrusts or sustainability protocol is geared towards ecological and utopian economics. Nevertheless, accrued work and consumption shall still yield more problems (and rewards) and strategies, no matter how humane and unconventional shall continue to treat the planet as source and sink.

In spite of these, there are concrete indicators that show a serious turn to other plausible measures of successful sustainable development such that economic growth and environmental protection are not dichotomized: Genuine Progress Indicators (GPI), Index of Sustainable Economic Welfare (ISEW), Sustainable Net Benefit Index (SNBI), and Natural Capital Index (NCI). All of these mirror varying accounts of sustainability, which balance economics with conservation or preservation objectives. Bhutan has come up with its own indicator alternative to GDP: Gross National Happiness (GNH).[7] On the surface at least, the ISEW, GPI, and SNBI offer solid support for the threshold hypothesis and the need for countries to eventually abandon the growth objective and focus, among other things, on qualitative improvement to achieve sustainable development.[8]

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[6] Callicott and Frodeman, *Encyclopedia of Environmental Ethics and Philosophy*, 31ff.

[7] http://www.guardian.co.uk/world/2012/dec/01/bhutan-wealth-happiness-counts/ accessed 9 June 2013.

GPI, for instance, and ISEW, which have been applied in the US, in Western Europe, Australia, Chile, and Thailand, include the following entries for accounting: (1) loss of farmland and the cost of resource depletion (lost source services of natural capital); (2) the cost of ozone depletion and air and water pollution (lost sink services of natural capital); (3) the cost of long-term environmental damage and the loss of wetlands and old-growth forests (lost life-support services of natural capital). Such indicators are forms of green accounting, which seek to "adjust national accounts to make them mirror natural asset deterioration as far as possible."[9]

Nevertheless, variations in the understanding and practice of sustainable development point to two tendencies: *weak sustainability*, which tries to preserve total capital stock and not necessarily natural capital, and *strong sustainability*, which commits to preserve for all time a portion of a country's natural capital resources.[10] This ambivalence renders the language of sustainability a reflection of the tensions happening on the ground – thus lacking a normative thrust or, at least, a straightforward direction. Both tendencies, in fact, have their own ways of justifying their positions.

I intend to enter into the issue of weak and strong sustainability, favouring a position that is grounded on eco-feminist arguments. Thus, this study will strive to provide a critique of weak sustainability and substantiate the possibility of promoting strong sustainability through the eco-feminist ethics of care. Its main objective is to emphasize the viability of a sustainable world via the ethics of care and to mitigate the importance of economic sustainability if we care to preserve our natural capital for generations to come.

2. Sustainability Problematized

The weak form of sustainability is feeble in broadening its narrow perspective. It still tries to sustain the economy, but the ecosystem is treated as a subsystem of economics when in fact, the economy is a subsystem of the ecosystem. It is weak in its short-sighted awareness about the non-renewability of the three fundamental substances that support the material structures of urban life: concrete, iron, and fossil fuels taken from the land. Mayumi writes:

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[8] Philip Lawn, "An Assessment of Alternative Measures of Sustainable Economic Welfare" in Philip Lawn, ed., *Sustainable Development Indicators in Ecological Economics*, 139.

[9] Salah El Serafz, "The Economic Rationale for Green Accounting" in Philip Lawn, ed., *Sustainable Development Indicators in Ecological Economics*, 55.

[10] Werner Hediger, "Weak and Strong Sustainability, Environmental Conservation and Economic Growth," *Natural Resource Modelling* 19, 3 (Fall 2006), 359-394.

> These three material bases for urban life are low-entropy resources made with low EFT2 in the past [EFT2=Efficiency of Type 2: it refers to output per unit time. EFT2 does not consider the amount of inputs to obtain the output]. Fossil fuels result from photosynthesis in plants and animals during the Palaeozoic era. Such results were created over grand scales of time and land, contributing to high EFT2. Limestone, a main element of concrete, comes from the debris of lime algae and iron ore comes from piled ore deposits formed through activities of iron-containing bacteria. People now enjoy high EFT2 by consuming these vast treasures.[11]

A civilization driven to production and commerce for gain is thus most likely difficult to maintain with the support of low-entropy resources. Since these resources are non-renewable, the language of sustainability rests on a shaky ground of constant production and consumption habits of humans which will definitely deplete natural resources.

It is a fact that industry is caught by high-output-per-unit-time fetish that still preserves the GDP as an indicator of development. It is misled in its appreciation of the maximizing input of energy to produce output of products that have less diminishing *marginal utility*. Its brand of development does not quite appeal to many serious-thinking environmentalists who fight for a stronger brand of sustainability. This understanding of nature as capital does not even include the potential of solar energy and the other materials stored in the earth's crust and atmosphere. But, even if it includes these, its understanding of the world's stock of natural capital is still too utilitarian, anthropocentric, and aggressively dominant – a hallmark of weak sustainability. On the other hand, strong sustainability is more aware of non-renewability of resources and thus commits itself to preserve for all time, through production and consumption controls, a portion of a country's natural capital. In this sense, strong sustainability mitigates the exploitative drive of weak sustainability with its greater focus on environmental preservation.

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[11] Kozu, Mayumi, *The Origins of Ecological Economics: The Bio-Ecology of Georgescu-Roegen*, London, Routledge, 2001, 80.

Moreover, almost all sustainability arguments deal with source-and-sink problem centred on the ecosystem. In effect, the bio-psychological[12] environment is treated by industry and commerce as the inner-worldly source-and-sink. This is a bio-psychosocial[13] issue which calls for a closer look.

Some of the commonly observed negative effects of industrial activities plus their by-products on human bodies manifest in abnormal expressions like tumour, cancer, diabetes, obesity, allergic reactions like asthma, lupus, arthritis, psoriasis, feminization of the male across multiple species, and other system-dependent diseases.[14] Ecological factors, which include diet, lifestyle, toxic substances, stress and other environmental factors associated with work and consumption in the age of capitalism (and advanced capitalism) have mobilized the scientific community to better understand the relationship and interaction among the different determinants of epigenetic expressions in disease and abnormality.

Environmental factors that produce epigenetic transformations are abundant in stress-producing places like workplaces that require higher outputs, which can result to strained relationships. Environments would include the body (like the uterus or an acidic body), the home, neighbourhood, workplace, school, church, public places like streets and malls, state institutions, and the internet.

Foetuses deprived of proper nutrition are found to be future victims of hypertension and diabetes. Those foetuses exposed to smoking mothers are most likely to develop asthma and other allergic reactions like eczema. Exposure to environmental estrogenic chemicals (atrazine, bisphenol A,

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[12] Biopsychology teaches about the links between the human body (biological sphere) and human psychology (psychological sphere). It is a school of thought based on the premise that physiological influences and factors are most important factors in developing, determining, and causing behaviours and mental processes.

[13] The biopsychosocial model of health and illness considers that biological, social and psychological factors interact as dynamic processes in determining the onset, progression and recovery from illness. Ian P. Albery and Marcus Munafò, *Key Concepts in Health Psychology*, Los Angeles: SAGE Publications, 3.

[14] U. Wahn, "The Allergy Epidemic: A Look into the Future" in eds. Ruby Pawankar, Stephen T. Holgate, Lanny J. Rosenwasser, eds., *Allergy Frontiers: Epigenetics, Allergens and Risk Factors*, Tokyo: Springer, 2009, 3; Alexander G. Haslberger, ed. and Sabine Gressler, co-ed. *Epigenetics and Human Health,* Weinheim: Wiley-vch Verlag GmbH & Co., 2010; Moncef Zouali, *The Epigenetics of Autoimmune Disease*, Oxford: John Wiley & Sons, Ltd., 2009.

DDT, dioxin, endosulfan, parabens, phthalates, zeranol, etc.)[15] accounts for the increase in breast cancer in females and infertility and feminization in males. Some reactions to stress or maladaptive behaviour like smoking also bring about changes in the smoker's body-environment, which alter genetic behaviour-expressions. Lung cancer is a case of epigenetic alteration caused by various mechanisms from multilayered ecologies. Incidentally, this sickness is stimulated by smoking, and smoking is a practice triggered by stress that produces the stress hormone cortisol; stress is often a feeling induced by economic production (work); production is a process impelled by profit and profit is an end maintained by the ideology of capitalist progress. Such a cycle cannot just be sideswiped. The notion of self-interest and economic sustainability realistically are two incongruent planes. One sphere of activity is incompatible with authentic sustainability of the world and the inner-world of humans. Allow me to illustrate this further: It will be possible to hope for a preserved nature in the future provided that, among stakeholders, there is a strong political will that is founded on two essential requirements: a constant awareness of the theory of marginal utility and Jevons paradox on the one hand, and the habitual disposition to care for the earth, on the other hand. Without these two requirements actively pushing every individual's mind and heart, any talk about sustainability in economics will just mask or cover-up mistakes and problems. The next sections will develop these points.

3. Marginal Utility and the Jevons Paradox

William Stanley Jevons (1835-1882) lends a fine ecological insight with his discussion on the relationship between production, consumption, and the environment in his theory of *marginal utility*[16] and the Jevons paradox. Although this theory is related to scarcity as well as to practical value, it has been a useful theory in making sense of behaviour that implicates nature.

The marginal utility of something is the additional benefit or satisfaction you derive from obtaining an additional unit of that thing. The law of diminishing marginal utility states that the more one has of something, the less satisfaction an additional unit provides. For example, the first purchase of an android phone offers considerable satisfaction to a hardworking office staff, but each similar handset provides less satisfaction than the previous one. The next time one opts for a new handset, a smartphone has to be more advanced and more sophisticated. This means, among other things, faster chip and larger display, and ready to beat the next high-tech phone in the market. The clash of titans in smartphones gains more prominence while an economic person remains unsatisfied.

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[15] John A. McLachlan, ed. *Estrogens in the Environment*, New York: Elsevier, 1980; John A. McLachlan and Steven F. Arnold, "Environmental Estrogens," *American Scientist* 84 (September-October 1996), 453-461.

[16] William Stanley Jevons, *Theory of Political Economy*, 3rd ed., London: Macmillan and Co., 1888.

Complementing the marginal utility theory is the Jevons paradox, which states that increased efficiency usually reduces energy costs. However, prolonged and incessant efficiency increase results to sustained increase in the energy use. An example is gas/fuel consumption. The faster a car runs, the more gas efficiency is achieved. The increased efficiency results to increased energy use.

This problematic scenario is shared by both the rich and poor. Consumption of the middle class and the affluent nevertheless, could better explain the insatiable wants, which address boredom or dissatisfaction. In other words, the more wealth one has, the more one spends on wants and not on basic needs. The moneyed could change tactics by accumulating more satisfying products in more novel and fine things, avoiding less satisfying things, which they already have. The craving for 'needs' and/or 'wants' propels neo-classical theory of market choice, which currently drives industrial productions and commercial marketing strategies. The theory of market choice believes in a "process by which an autonomous rational consumer allocates income at the margins among an array of consumer goods."[17] Whether or not such choices are valid they are creating patterns of needs. Most choices that put pressure on the biosphere are really determined by the affluents' feelings of non-satiation or boredom and not necessarily by necessity. Choices are not independent of the biological and sociological worlds that surround the decision-maker. The economy must seek to produce "newer" goods and services that cater to gratify consumers. This want-gratification further fuels industry and commerce to invent more organs of production to lessen diminishing marginal utility. Since scarcity for moneyed consumers is unsatisfactory, business must produce more and more novel array of products that generate satisfaction. This drive determines the index of growth and development requiring the use of more energy (also producing depletion and degradation) and manufacture of the same. Nevertheless, the more efficient use of fuel in cars clamours for production of bigger cars with more efficient compressors. With bigger cars, more resources are depleted and more carbon emissions are released, which can cause more health problems while traffic problems may remain unsolved.

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[17] Mayumi, *The Origins of Ecological Economics,* 7.

The list of wants (and dissatisfaction) can go on and on yet the problem is aggravated. Since more efficient organs of production are available, and people buy more, greater pressure is put on the natural environment, polluting the land, sea, atmosphere, and the bio-psychosocial (deep-ecological) environments.[18]

This is the Jevons paradox working in concert with diminishing marginal utility, and its implications for sustainable development. One cannot expect to be kind to the environment when everyone is trying to become a middle class or affluent because life is perceived to become more gratifying when one is a middle class or rich. When policy-making aims at development to alleviate poverty, people are actually opening the door towards the inevitable depletion and degradation of the natural environment. This however, does not mean that people should become complacent or laid-back in order to sustain energy or prevent the inevitable. Poverty-alleviation that aims at the middle-class as a model target also faces humongous problems. In China, for example, 1.4 billion consumers raise an upscale market demand. This would mean a step towards greater destruction of the biosphere and the bio-psychological sphere. Poverty-alleviation initiatives create job opportunities for people whose capacity to pay could reach beyond basic necessities while business will produce more gratifying goods for them. The ecosystem is thus pressured more, and people are impacted by the nature of their work, by the pressure of the market, and the effects on a disturbed biosphere, and so on and on.

This scenario could be avoided if the understanding of sustainability is shifted towards biospheric or ecocentric sustainability. From the standpoint of the anthropocentric neoclassical economics, stock-sustainability is what is important. This must sustain what economics has invested. This means modelling its production and consumption based on growth that depends on the present form of energy supply by which it is entrenched. This perspective, however, is too narrow and myopic since it is merely based on human exploitation and gain that do not care about the issues of depletion and degradation of the biosphere (and bio-psychological sphere). When problem is felt because of critical build-up of pressure brought about by the dwindling source and sink, sustainable-development-of-economy paradigm is ruined. The bio-centric sustainable development paradigm is an open and viable option. Alternative models of production and consumption will have to be based on both previous and newly discovered alternative sources of energy. It is only when such alternative sources of energy respect the natural activity or "life" of the biosphere that a genuinely *strong* sustainable development argument could be possible. Harnessing sources of energy like hydropower, tidal power, wind power, pedal power, bacteria power, algae power, biogas power, etc. would not suffice to ensure future sustainability. Sustainable development paradigm to be truly holistic has yet to take into account the bio-psychological dimension of the problem.

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[18] Ferdinand D. Dagmang, *The Predicaments of Intimacy and Solidarity: Capitalism and Impingements*, Quezon City: Central Books, 2012, 11-14.

Many of the depleting and degrading pressures exerted on the planet's biosphere are observable today and the way these depletions and degradations have turned against humans and other living beings have been documented on broadsheets and projected into our TV screens. It is easy to say that these problems will be solved if we cease treating the biosphere like the way industry and commerce do. But human behaviour does not always pay heed to advice based on remote scenarios for as long as there are still remaining sources of energy that support households and industries. In the meantime, investors will look for more innovative managers and entrepreneurs who will be able to maximize the use of what remains of fossil fuels under the earth and the seabed. It is only when the breaking point of energy source is felt by motorists, by homemakers preparing for lunch, by elderly people turning on the heaters, etc., that the message will be fully grasped. This scenario suggests that the message of the crisis of sustainability will already be an issue for the common citizen. A more concerted effort towards (strong) sustainability will thus become a reality. In this sense, the call to do the right thing becomes an urgent matter for every person in the planet.

In 1999, the American Petroleum predicted 2062 to 2094 as the possible depletion years of oil. This is based on the consumption rate of 80 million barrels/day assuming there is 1.4-2 trillion barrels supply. This reserve supply would already include oil extracted from oil sands and shale. In 2004, the consumption rate became 85 million barrels/day with 1.25 trillion barrels supply. This adjusted the depletion year to 2057. The US Energy Information Administration predicts consumption rate to increase to 98.3 million barrels/day in 2015 and 118 million barrels/day in 2030. There is, however a decline in oil demand as reported in The International Energy Agency (IEA) which underscored that modest economic growth was limiting oil demand worldwide, and that some developed economies would see absolute declines in oil consumption in 2013. In China, the world's No. 2 oil consumer, "weaker economic growth and lower than previously forecast March/April consumption data" support the view that demand is weakening, the IEA said. Both OPEC and the U.S. Energy Information Administration (EIA) cut their global oil demand growth forecasts on Tuesday.[19]

While there is a modest development in the world's consumption of oil and positive prospects in the future, industry and commerce still proceed with rebalancing, that is, searching for and relying on alternative sources of energy banking on the fact that the supply of coal is projected to last for about 155 years. Hence, work, production, and consumption will definitely continue. Perhaps, the Jevons paradox and diminishing marginal utility will still be debatable with more variations of sustainability arguments. Yet with economic growth in tow, individual self-interest must be challenged by ethical positions. The following section shall unfold an ethical approach towards sustainable development via the principle of care.

4. Caring for the Earth

Eco-feminist ethicists attempt to impress the language of caring and images of nature in the hope of creating "mindscapes" that can stir people to non-utilitarian and non-dominating forms of action. Their voices are also heard in international fora and policy-making bodies but oftentimes, their valid concerns go unnoticed and plugged-in in the whole agenda of sustainability with its ambivalent meaning. A government's efforts to reduce natural and man-made disasters are often halted by political agenda that put premium on economic growth and development. Although the practices of progress and development are slowly poked by the language of sustainability, policy makers' "green accounting" and call for accountability are often highly politicized and thus "weakened." Most of these efforts remain as principled calls, (albeit debatable ones), that are still waiting to be really heard and implemented. The *Rio+20 Earth Summit 2012 UN Conference on Sustainable Development* has attempted to leapfrog development by proposing green economy. In Earth Summit

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[19] http://uk.reuters.com/article/2013/06/12/markets-oil-idUKL3N0EO0RW 20130612/ accessed 13 June, 2013.

2013, agenda on low carbon takes a multi-faceted approach. However, the translation of theory into practice is a task that can only be feasible with a collective political will, including the will of every industrialist and businessperson. Commercial expansions by trans-national firms, finance investments of developed economies in poor nations, and manufacturing of non-essential commodities by global IT players leave us thinking whether international leaders are able to commit themselves to concrete and long-term strategies or to give in to business and First World lifestyles and adopt short-lived and economics-constrained solutions. No matter how sustainability ethics is framed and received positively by State leaders and legislators, its ambivalence creates an aporia. The transformation of the ecosystem into an everyday utility calls for a serious reflection.

The ecofeminists' retrieval of the sacramentality of creation (*Gaia and God*)[20] and the sacredness of nature is an audacious vehicle for promoting respect and care of creation. Rosemarie Radford Ruether uses the terms ethics of "compassionate solidarity"[21] and Sallie McFague, ethics of "community care."[22] As women, who can feel the pangs of childbirth and the exhilarating joy of seeing a child born, they recognize the fragility of the human planet and ecosystems. For them, this sacredness also functions as a sign for creative creatures to direct their glimpse towards the Creator. Hence, ecofeminists turn to the plethora of ecological problems not with quick-fix solutions but with more re-creative interventions that emphasize respect and care.

In the Philippines, a bunch of Filipino ecofeminists intermittently offers seminar workshops to concretely address the issue of ecological crisis. Inspired by ecofeminist-creation centred spirituality,[23] they have been conducting eco-feminist seminars to groups of women. They offer workable strategies which could be (1) *vía positiva,* which is acknowledging the ecological crisis yet rallying one's positive resources of celebration, gratitude for creation and for the gifts of life, (2) *vía negativa* which rests on the fact little could be done about it, (3) *vía creativa* which underscores the powers of creativity and birthing (of ideas), and (4) *vía transformativa* which is radically a call for commitment and responsibility. The *vía transformativa* stirs participants to concretely identify their advocacies which shall denounce "rape" of the earth, subjugation of nature in general and animals in particular by humankind. These steps foster greater sensitivity to the planet and humankind and create pathways to stir respect and care for the whole of creation.

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[20] Rosemary Radford Ruether, *Gaia and God: An Ecofeminist Theology of Earth Healing*, San Francisco: Harper-Collins, 1994.

[21] See her *Gaia and God.*

[22] Sallie McFague, *Super, Natural Christians: How We Should Love Nature*, Minneapolis: Fortress Press, 1997.

[23] "Ecofeminism: A Philippine Experience," http://findarticles.com/p/news-articles/manila-bulletin/mi_7968/is_2002_March_23/ecofeminism-philippine experience/ai_n33102769/?tag=content;col1/ accessed 10 June 2012.

5. *Kabash* and *Rada*

The caring of the earth is closely linked to the Biblical notion of custodianship or stewardship yet the latter is not effectual if wedded to the perpetuation of exploitation and commodification of human and non-human members of the ecosystem.

The Biblical *kabash* ("subdue") and *rada* ("rule" or "dominate"),[24] have become traditionally linked to a human attitude of control, exploitation, and human dominion of the earth. These reflect the exercise of force. There is no suggestion of care in *kabash*. Joshua "subdues" the Canaanites by extreme force (Joshua 18:1) giving us a hint that humans are conquerors rather than caretakers. The presumption is that the more dominant testosterone-driven aggressive and combative androcentric behaviour pushes males away from tenderness and authentic care for the environment. But, the vital question is why should we care? The following may give us a hint about the urgency to care.

An eco-feminist 'caring being' recognizes the vitality and fragility of all forms of life. In her tender hands rests the vibrance of creation meant not just for utility but also for admiration and wonder. This tender regard for creation also appreciates nature's intrinsic value, and away from the instrumental purposes of exploitative humans. Moreover, embraced by an eco-feminist's delicate arms, the fragility of nature could be one wrapped like a child in a mother's hands. This is not a male's common gesture towards nature. Only a woman's sensitivity, an eco-feminist's kindness, could bring out that side which is habitually subordinated and ravished by males.

Caring quizzes us about our set of priorities and values, which ultimately lead us to ethical decisions. Certain assumptions we have as human beings about the hierarchy of things legitimize the structures of power. Parallel to power however, could be layers of responsibilities toward nature – inanimate and animate. The *creating God* among *caring humans* (caring as history's co-creative act) can aid and fortify our own sustainability paradigm. Hence, there is a need to re-emphasize caring as a value and as an ethical duty.

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[24] James Stambaugh, "Creation's Original Diet and the Changes at the Fall," http://www.answersingenesis.org/articles/tj/v5/n2/diet / accessed 12 December 2012.

A re-interpretation of *rada* ("rule") as "tending" (caring) is appropriate. Its meaning as caring can be grounded on three things: a) To care is to actively feel, empathize, with the other. Caring is a feminine quality that shows a profound identification with the other but this feminine characteristic can be also be developed in males. One who cares sees the other (non-human) as another who is stamped by a steward (human) who is an *imago Dei*. Thus, caring is able to regard the other as a gift, reducing the prospect of harm. b) To care is to recognize that there is a limitation to personal freedom. Extinction of animal species, storage of nuclear wastes, destruction of natural habitats will definitely cause ecological imbalance within a peculiar ecosystem. A caring stance to the other is an affirmation of the boundaries of human freedom and power. It must also highlight the caring stance of every move to walk on earth and face creation. c) To care is to "tend." The task of seeing to it that everything is alive and in its proper order is incumbent to human beings mandated to "tend" the earth.

The economic divide (North/South) has to be minimized by caring leaders if authentic development is seriously sought for. Dominion, which is profoundly rooted in the interpretation of the Judaeo-Christian tradition in Genesis requires a fresh reinterpretation of *rada* as caring.

Genesis 1-3 offers a relevant refrain: "And God saw that it was good." Good is an expression of 'satisfaction' over God's handiwork, including human beings, both male and female. God saw that what he fashioned were good and God was delighted. The sequence, whether humankind's creation was first or last (Genesis 1 vs. Gen. 2) was just peripheral to the central theme of God's act of creation. Man and woman were created in God's own image and likeness *just like the Creative God.*

God was happy with what He saw and rested from all work (Genesis 2:1). Such rest could indicate a sense of security that God's masterpiece, the human beings, could be entrusted with the task of continuing Creation as co-creators in-charge of creative re-creation. Such is the confidence the Maker has on the masterpiece. This must be similar to mentor-mentee relationship. When the student-apprentice is deemed ready, the teacher takes the backseat and allows his/her student to continue with the task, banking on one's years of training and learning. God, far from human calculations and comparisons, relies on human participation and care in the exercise of dominion over Creation.

Caring read in this light, becomes not merely a female attribute but an inherent capacity of all God's creatures. Caring is akin to humanness. When we care, we unleash our deepest powers to preserve, protect and create. On the other hand, without care, the world reverts to its chaotic state. Our caring stamps God's image and trust in our innate propensity to be responsible creatures and stewards of Creation.

It is not infrequent that we see humankind obscuring this image in their daily grind. The 'rape' of the earth, the alteration of natural habitat, the fished-out seas, the dumping of toxic chemical waste, etc. are incongruent with the dynamic act of co-creation incumbent upon us as custodians or caretakers of creation. Our destructive acts can never be justified by our reading of 'dominion' as part of God's plan.

God's grand plan unfolds every time humans make use of their ability to care. In caring, we can turn to the other as equals, whether it is human or non-human. Each tiny system is treated with respect because it is part of God's creation. This care then recreates patterns of care in the whole cosmos.

In the exercise of dominion humans ought to mirror and fulfil the Creator's grand plan. Our abilities to think, to tinker, to discover, to innovate and to be creative are to serve God's grand plan. To misuse our abilities and mistreat the planet obliterate the hand of God in creation. It is in a sustained act of *caring* via our human activities that God's image shines forth.

If sin (cf. Genesis 3) is a conscious turning away from God, caring is a conscious, enduring stance towards the whole of creation. To re-commit to caring and to think of the well-being of the future generations coalesce with the mandate of *rada*. Human race is called to explore this order, to examine it with due care and to make use of it while safeguarding its integrity.[25]

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[25] Roger S. Gottlieb, ed., *The Sacred Earth: Religion, Nature and Environment*, New York and London: Routledge, 2004, 182ff.

6. Conclusion

For its ambivalence, the sustainability paradigm in economics must be analysed and uncovered for its confusing bipolarity as either weak or strong sustainability. If sustainability should mean sustainability of the world as God's creation, its strong stance should be advanced and be fortified by an ethics of care.

As a reaction to the years of modern industry and commerce, various pro-environment (strong sustainability) positions were born. These promoted, in varying degrees, conservation, preservation, protection, care, admiration, and respect of nature. These positions have evolved through the years with a growing emphasis on conservation's or care's broader context: the whole ecosystem which includes humans as mere members.

With Care as principle of strong sustainability, it would be the logical nemesis against the exploitative and degenerative directions of humanity's economic and industrial programs that constantly bombard the biosphere and humans themselves.

Caring is a potent ground that can be tilled and allowed to blossom in slow but steady movement. It can serve a countervailing force against subjugation and subordination. Therefore, the sustainable development model is challenged to find its equilibrium in the re-interpretation of *rada*. Sustainability development model cannot continue to reduce people into injured agents while relying on them to work for extrinsic benefits that continue to destroy the ecosystem. Sustainable development fashioned after an exploitative notion of *rada* will never promote ecojustice for there is no authentic development while agents (humans and non-humans) are continually harmed and subjected to suffering.[26]

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[26] Some parts of this paper had been written during the 5-week Research Fellowship at the Chung Chi University in Hong Kong as a scholar in IASACT.

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BASIC ECCLESIAL COMMUNITY AND ECONOMICS OF COMPASSION

Willard Enrique R. Macaraan◆

Abstract

There is an increasing number of governments, institutions, and civil societies (NGOs) that have been advocating economic systems, structures, or dynamics that would promote the good of the human person. People have started to realize that doing economics is not always within the realm of rationalized calculations but must look after the human person. This paper attempts to contribute to this agendum by employing an interdisciplinary dialogue between theology and economics; drawing a moral-cultural framework towards a compassion-based economics. Together with the positive traits of today's economic alternatives and the salient features of Jesus' praxis of compassion, this paper would offer fourteen (14) criteria as basis for what could be the most feasible base/locus for an economics of compassion. Eventually, what has been considered as the suitable base/locus is the Basic Ecclesial Communities (BECs); hence, a BEC-based Economics of Compassion or BEC-EC.

Keywords: economic alternative, compassionate economics, BEC, praxis, human economy

1. Introduction

Against the background of the menacing tendencies of the capitalist market towards human reification and commodification, people now have started to look for alternative economic systems and frameworks to do business and trade without compromising inherent dignity and worth of the human person. Theorizations proffered by renowned economic anthropologists and sociologists like Karl Polanyi (1944), Marcel Mauss (1967), Bronislaw Malinowski (1932), and Mark Granovetter (1985) have explored that human persons can determine and decide on certain economic exchanges and activities that are not entirely based on strict rationalized calculation but in terms of non-market valuations like kinship,

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friendship, community values, etc. Even the Church through her Catholic Social Teachings (CST) has not been silent on her promotion of the human person, dignity and worth over and above the market situation. Ever since Leo XIII's *Rerum novarum* of 1891, the century-long endeavour still resounds in the many interpretations and schools that have espoused the Pontiffs' call towards a person-oriented market economics.

It is within this call towards a human economy this paper intends to contribute. While most of the proposals for and implementation of economic alternatives have been situated in secular (non-ecclesial) contexts, including even the Christian-based Focolare movement's "Economy of Communion," this paper argues for a suitability and feasibility of an ecclesial (human and communal) base that can support and sustain an economic moral-cultural framework based on Jesus' praxis of compassion, hence, a compassion-based economics. Defined and characterized along the spirit (meaning) of Jesus' compassionate behaviour as articulated in biblical narratives, this paper looks for a base that can authentically, at least potentially, embody the actuations and implications of Jesus' compassion. This search for a suitable base would end with an identification of the Basic Ecclesial Community (BEC) that, while more popularly identified with liturgical celebrations and other pastoral-religious activities, is herewith proposed as potentially (both structurally and teleologically) appropriate to be the base or locus for an Economics of Compassion (EC).

To justify this proposal, the paper looks into exegetical nuances of compassion as lived out by Jesus and makes use of such a paradigm to understand and discern the merits and qualities of BEC as the genuine locus for what is eventually proposed – a BEC-based Economics of Compassion or BEC-EC. This proposal would be a significant contribution for what has been an uptrend in today's studies on economics – the rise of the so-called "non-standard economic alternatives."

2. Research Questions

The paper seeks to address the following queries:

1) How feasible is it to embed a biblical paradigm of compassion specifically drawn from Jesus' praxis of compassion into an economic dynamic/structure?

2) If a compassion-based economics is to be developed, shall it assume a more resolute stance as to replace the conventional economic

system (mainstream economics) or a less critical approach as a mere alternative among many?

3) What form and structure must it take in terms of human participation, size, coverage and affiliation among others?

3. The Emergence of Non-Standard Economic Alternatives

Even the extreme proponents of free market capitalism nowadays accept that there are basic human needs that the market is not able to satisfy. Over time, the rejection of extreme free-enterprise/collectivist forms result to what today is referred to as "mixed" economies where private ownerships co-exist with the collective forms and the market lives side by side with non-market variants and mechanisms. A certain merger between capitalism and socialism is taking place and it differs from country to country. Some of the common traits of these non-standard alternatives include the following: preference to being small in size and scale (localized), outsourced from the ground and oriented towards it (decentralized), grounded on human interactions and associations, value-based ethics, non-profit motivation, and sustainable (ecological) development (moderation, preservation, and gradualism).

A rough survey of existing forms of the so-called mixed economies reveals strong collective character and ground-based human organization. These forms also boast inclination towards sustainable development and ecological conservation. On top of that, a significant feature is the emphasis on other-oriented human values of cooperation, generosity, solidarity, and compassion among others; as well as its preference for a small-size human organization knotted by common interest, familial connections, or geographical proximity (neighbourhood). For Ethan Miller, such alternatives have offered promise to the perils brought by the dominant economy.

> Instead of enforcing a culture of cutthroat competition, they [alternatives] build cultures and communities of cooperation. Rather than isolating us from one another, they foster relationships of mutual support and solidarity.[1]

Looking at this developing trend towards decentralization, one cannot ignore the immense influence of E. F. Shumacher's *Small is Beautiful,* which was written as a challenge to "gigantism" of neoclassical economics.[2] For several decades, mass production offered more cheap goods than ever before; the mass media and mass culture opened up new opportunities to a wider audience. Shumacher believed that such scale led to a dehumanization of people and economic systems that ordered their lives. In his book, he criticized how modern organizations stripped the satisfaction out of work, making the worker reduced to a mere cog in a huge machine. Craftsmanship was no longer important, nor was the quality of human relationship. The economic system was making decisions based on profitability rather than human need. What Schumacher wanted was a people-centred economics because that would, in his view, enable environmental and human sustainability. The current forms taken by economic alternatives re-echo the bold ideas embraced by Shumacher in his Buddhist economics model. The crisis of 2008 and the growing unpopularity of neoliberal ideas spurn recent tides towards 'humanizing' the economic market system. This new terrain for thinking about the economy is a reaction to the many years of rational but impersonal calculations of economists. This new trend works under the name "human economy," reminding everyone that economy is made and remade by people in their everyday lives.[3]

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[1] Ethan Miller, "Solidarity Economy: Key Concepts and Issues" in *Solidarity Economy I: Building Alternatives for People and Planet*, ed. Emily Kawano, Tom Masterson, and Jonathan Teller-Ellsberg, Amherst, MA: Center for Popular Economics, 2010.

Table 1 below shows a rough list of non-capitalist enterprises as practiced in various countries. One would notice the Venezuelan variant that while a socialist nation, the government has infused its state-aided communal banks with capitalistic component of profit through investment. The initiative for mixing does not only come from 'capitalist' countries but from socialist ones as well. It has appeared that extreme forms (highly communistic vs. highly capitalistic) are problematic and that a more appropriate course of action now is the hybrid road. These initiatives are widespread and worldwide. Even the highly capitalist USA bears local and from-below economic approaches that involve non-monetary exchanges like time and community service. The US initiative further implies that economic alternatives are as popular to wealthy countries as to the impoverished ones. Regardless of any specific political ideology or orientation a country or group may embrace, the concept does not seem to arise from a single political tradition or body of ideas.

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[2] See E. F. Shumacher, *Small is Beautiful: Economics as if People Mattered*, New York: Harper & Row Publishers, 1973, 56-66.

[3] See Keith Hart et al, ed., "Building the Human Economy Together" in *The Human Economy: A Citizen's Guide*, UK: Polity Press, 2010.

Table 1. Non-Standard Economic Alternatives

Forms	Characteristics	Example	Location	Description
Solidarity Economy	local-based and grassroots	revolving loan funds	Mali, Africa	Interest-free funds from monthly contribution of community members are given in lump sum to one member each month
	non-profit orientation	"time bank"	Pasadena Maryland U.S.A.	People offer services (hours) they can provide in exchange for the services (in hours)they need
	human network and associations	'communal bank'	Venezuela	Funded by government, 'people's banks' provide communities the ability to finance social projects, invest, and help out those in trouble
	cooperation-based	cooperatives	widespread	Sectoral representation with various kinds and forms (consumer, credit, producers, services)
Gift Economy	collective allocation based on need and abundance	'dama'	Mali, West Africa	A gift-giving system practiced among women's social network ; just as you care for others, someone else will provide for you
	oriented to relationship			
Sharing Economy	creating a culture of giving from profits gained by member companies and corporations	Focolare Movement's Economy of Communion (EoC)	Began in Brazil and has spread worldwide	The profits are divided into thirds; 1. workers' development and improvement, 2. to develop and extend new businesses to provide new job opportunities, and 3. as gift to projects at home and abroad for people in real basic need.

Though emerging global preference to economic alternatives seem to know no boundaries, whether these alternatives are created to challenge the mainstream is still vague and inconclusive. For now, it seems that its popularity rests in giving people an option, a choice, an alternative. Still a work in progress, a perfect ideology is not what this new movement seeks. The spirit of building, strengthening and connecting initiatives based upon cooperation and solidarity still bear potential for possibilities that work for total human development.

3. Jesus' Praxis of Compassion

Biblical compassion (Gk. *splanchnizomai*) is one of the most powerful thematic frames that have characterized the praxis of Jesus especially in his response to the suffering victims of society and the oppressive socio-political/socio-economic system of the first century Palestine.[4] The popular English synonyms for compassion as "mercy" and "pity" fail to capture the depth of what has been originally used by the Gospel writers to refer to Jesus' *splanchnizomai*. With no English word to exactly translate and capture the meaning of the original Greek word, *splanchnizomai* is more appropriately described as a bodily action/reaction that is provoked externally as it is caused by affliction, suffering and downcast state of the other. From mere physiological operation, compassion transforms emotions and feelings as reaction to the suffering of the other. It (compassion) leads Jesus to a commitment of action "to liberate people from every form of suffering and anguish – present and future."[5]

Handicapped by space constraint and technical limitations, this paper would not intend to present a detailed exegetical hermeneutic of Jesus' praxis of compassion but would simply enumerate the salient features with corresponding explicitations and behavioural actuations. For this, one shall refer to Table 2 below. In summary, the following are the salient features that can be drawn from Jesus' praxis of compassion as exegetically interpreted in Gospel and Pauline narratives: option for the poor, capacity for institutional challenge, *kenothic* ethic, personalist/intersubjective/communal orientation, fiducial component, liberational/soteriological direction, Kingdom-based character, and eschatological dimension.

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[4] Marcus Borg, "Jesus and Politics in Contemporary Scholarship," *HTS Theological Studies* 51, 4 (1995), 962-995.

[5] Albert Nolan, *Jesus before Christianity*, Quezon City: Claretian Publications, 2008, 36.

Table 2. Jesus' Praxis of Compassion in Gospel and Pauline Writings

Salient Features	How does Jesus do it?	How does Paul rearticulate it?	Implications to Market Politic
Option for the poor	Jesus identifies himself with the poor and outcast in friendship and solidarity.	Paul's life is marked by choices for and with the margins: first, to be a Christian, second, to fight for the Gentiles	Identification with the margins, empathy and sympathy to suffering ones
Capacity for institutional challenge	Jesus challenges the oppressive structures for the cause of the poor through radical changes in state and religious systems.	Paul's reassuring theology of authenticity as counter thesis to alienating tendencies of Sin	Critical stance, social activism, active involvement
Kenotic ethic	Jesus offers his own life as a ransom 'for many' so that others may live.	Authentic human life is essentially rooted in Jesus and is directed to reach out to empower	Selflessness, sacrifices, altruism, other-orientedness, generosity
Personalist/ intersubjective/ communal orientation	While there is option for the poor, Jesus invites all to friendship and community on the basis of humanity and personhood.	Paul's theology of "Body of Christ" captures interdependence of the Christians, a demand that each one has to belong to one another	Friendship, community-building, social equality, person-orientedness, humane conditions
Fiducial component	Jesus trusts in the power of God, the capacity of the victims to liberate themselves	Faith is essential component of his compassion praxis	Faith, optimism, religiosity, spirituality
Liberational/ soteriological direction	Jesus empowers the people of Israel to a change	Coexistence among members of the Body as the way	Empowerment, enabling structures and

	of heart or *metanoia* as initial step towards political liberation.	toward authenticity; an antithesis to inauthenticity rooted in individualism	systems, capacity enrichment
Kingdom-based character	Jesus exhorts the people of Israel to share in the ideals of the Kingdom on the basis of social conversion.	While Jesus' kingdom refers to a particular situation, Paul uses it in universal sense.	Material detachment, service-orientedness, bottom-up approach, decentralization
Eschatological dimension	While he believes in the catastrophic fate of Israel from the Romans, Jesus keeps the hope alive to overcome destruction through Kingdom discourse.	Paul's universalist approach to the Parousia reveals a tension between something already accomplished and something yet to happen (already-not yet)	Hopefulness, enthusiasm, optimism

The table above illustrates the paradigmatic capacity of Jesus' praxis of compassion in terms of its (re)appropriate-ability to any situation/context across time, history, and even genre. Paul was able to understand his current predicament from the perspective of Jesus' compassion, although with completely different audience, situation, and needs. Extracted from Jesus' praxis are elements of action that can potentially emphasize the kind of practical mediation that can be sought as response to the new and challenging situation of current times.

4. Properties of the Suitable Base

The stress of the argument is not to downplay or ignore the positive and constructive traits of these 'secular' economic alternatives inasmuch as they are not fully reflective of the theological criteria of compassionate praxis. While it is inadequate to situate the proposed compassion-based economics on the criteria set by economic alternatives alone, it is equally deemed insufficient to solely consider the criteria on the basis of Jesus' compassion praxis. It is because the situation or context by which Jesus manifested his compassionate gestures and acts were not inherently economic by nature and design, although a significant part of his entire Kingdom message included the liberation of the socio-economic poor. The praxis of Jesus' compassion is deemed to be more socio-cultural than strictly economic. On the other hand, the featured traits of current economic alternatives, while secular in context, reveal positive aspects that may not be inherently obvious from how Jesus lived compassion. There needs, therefore, an integration of both the traits from Jesus' praxis of compassion and secular economic alternatives. Ultimately, this paper shall propose to promote a base that can, to a certain degree, reflect the theologically-articulated compassion praxis in an economic setting; one that is unique from the non-standard alternatives in terms of its theological bearing and at the same time similar to them in some (secular) ways.

From the foregoing, the desired base that can appropriate the criteria of Jesus' compassion praxis as well as structurally embody the aspects common to non-standard economic alternatives shall (approximately) possess certain traits and characteristics (see Table 3). The search for a suitable base includes the empirically-evident traits of the non-standard ones in order to highlight the socio-cultural properties of a proposed compassion-based economics model inasmuch as animate its social artefact (structure) with an inspiration from Jesus' praxis of compassion that forms the moral cultural properties of the proposal, acting as more or less the core that holds the dynamics of behaviour and intention of such.

This paper acknowledges the significance of having these two properties to serve as criteria for the search of the suitable base. The integration or relationship of the two properties (socio-cultural and moral-cultural) that would determine the structural image of the desired base is not of causation but correlation. This explains why many if not all the so-called economic alternatives do not necessarily include the criteria provided by the framework of Jesus' praxis of compassion inasmuch as the latter does not always presuppose the former in order to operate. This paper argues that in order to fully realize a suitable base that can appropriately operate the dynamics of a compassion-based economics, the two properties must occur together but not necessarily one causing the other or vice versa. In short, the two would complement each other.

Table 3. Required Properties for the Suitable Base

Socio(-civic) cultural properties (non-standard economic alternatives)	(Theologico-)moral cultural properties (Jesus' praxis of compassion)
Small in size and scale (localized) From and to the ground (decentralized) Human interaction and association Value-based ethics Non-profit motivation Sustainable, ecological, development	Option for poor Capacity for institutional challenge Kenothic ethic Personalist/intersubjective/communal orientation Fiducial component Liberation/soteriological direction Kingdom-based character Eschatological dimension

5. The Criterion of Suitability

There is a need to qualify the search for a "suitable" base insofar as whether the base should *already* possess the said criteria (actuality) in practice and operation or at least its *readiness/preparedness* in terms of the tendencies and conditions that are natural to its being and activity (potentiality). This paper is inclined to understand the "suitability" criterion as defined by the latter – where the base is found to possess conditions that can potentially be responsive and reflective of the desired characteristics towards compassion-based economics. While the current survey of economic alternatives (see Table 1) may have *implicit* expressions of *some* of the moral-cultural properties (compassion praxis), e.g. the solidarity economies, gift economies, cooperatives, etc. inasmuch as some that claimed its origin from religious or spirituality-based movements may have embraced *some* of the socio-cultural properties, e.g. Focolare's Economy of Communion (EoC), still wanting is a base that can genuinely, even potentially, respond to the dual criteria of both the social and moral cultural properties in full integration.

6. In Search of the Base: The Vision of the 'Church of the Poor'

Basing the search from the criteria, one would obviously notice that a suitable base must bear a theological, at least religious, undertone inasmuch as the whole social and moral criteria are indicative of not only a strong secular base but also its rootedness to Jesus (*Christogenesis*) and Church (*ecclesiogenesis*). In other words, the search is limited within and among ecclesiological praxes in terms of what ecclesial human base enjoys or embodies a cultural cosmology that can best represent the liberational spirit of the formulated criteria. But before one attempts to search out for this base, given the multiple ecclesial cultural expressions, it is important to be guided by the vision of the so-called "Church of the Poor." This particular vision serves as a heuristic device, a light, for the search for the suitable base, not only because this vision characterizes the wholeness of Jesus' praxis of compassion as well as the principal thrust that moves many of today's economic alternatives, but also due to the urgency by which this vision is presently reflected upon in recent days. In the days following his election, Pope Francis is believed to have presented his vision for the Church when during his monologue to the press people, he said, "… Oh, how I wish for a Church that is poor and for the poor."[6]

Historically, the phrase was first used by Pope John XXIII in his inaugural address to the Second Vatican Council in 1962. "Later in 1970, during the Asian Bishops Conference in Manila, the phrase was picked up and in the Second Plenary Council of the Philippines of 1991 (PCP II), it became the core message."[7] Theologically, the phrase "Church of the Poor" is not any concept that the Church adopted and implemented; it is borne out of the contemplation on the very mission of Jesus himself. For Jon Sobrino, the fact that the church in Pentecost arises *after* the resurrection of Jesus speaks of the conformity of the church to the risen Christ including a concrete life of solidarity with the poor.[8] The theological core by which this vision stands is its "option for the poor," inasmuch as Jesus' praxis of compassion includes this important feature as well (see Table 3). The Second Plenary Council of the Philippines, in its conciliar exhortations, has placed the vision of the Church of the Poor as central to the mission that the Philippine Church must carry out. In detail, PCP II explains its interpretation on the meaning and traits of what a Church of the Poor is (PCP II par. 125-132):

a) A Church that embraces and practices the evangelical spirit of poverty.

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[6] Pope Francis uttered this as he was narrating his reason for the choice of papal name after St. Francis of Assisi, a man of poverty, a man of peace, a man who loves and safeguards Creation. Laura Smith-Spark and Hada Messia, "Pope Francis Explains Name, Calls for Church 'for the Poor,'" <http://www.edition.cnn.com> (21 March 2013).

[7] Bishop Julio Labayen, *Revolution and the Church of the Poor*, Manila: Socio-Pastoral Institute and Claretian Publications, 1995, 2.

[8] Jon Sobrino, *The True Church and the Poor*, trans. Matthew O'Connell, Quezon City: Claretian Publications, 1985, 89.

b) It is one whose members and leaders have special love for the poor.
c) It is where the poor are not discriminated against because of their poverty.
d) It is one that will be in solidarity with the poor.
e) It means that the Church will not only evangelize the poor but that the poor in the Church will themselves become evangelizers.

With the vision clearly juxtaposed, what is next is the identification of the suitable base not only in terms of the set criteria but also by the guiding spirit of the vision of Church of the Poor, not however viewed as two criteriological categories but simply one of the same spirit and sense.

7. BEC as the Suitable Base for a Compassion-Based Economics

Neither a bold assumption nor an abstract utopia, this is a mere recognition of what the "Basic Ecclesial Communities" (BEC) has done thus far and what it can still contribute given its inaugural thrust as a (marginalized) localized communal base of people working together towards "total human development." There is an air of reservation; however, with the way BEC is unable to fully realize its avowed mission and objectives particularly in the current thought and practice in the Philippine dioceses and parishes. While everyone knows that BEC had its origins in Latin America,[9] the Philippine BEC 'brand' was inspired by this Latin American phenomenon through the efforts of the Maryknoll Missionaries working in what is now the Diocese of Tagum and Mati. From thereon, it spread to the rest of the country with BECs developing their own identities.[10]

To argue for BEC as the suitable base is to affirm BEC as the base that does not only embody the predetermined criteria but also as the concrete human communal base that translates into praxis (ideally speaking) the vision of the Church of the Poor. The BEC phenomenon in the Philippines may be construed, historically, as a response to Filipino awareness of an oppressive regime and the emancipative clamour from some groups (leftists, social democrats, church groups, labour groups, etc.). The ongoing struggle for integral human development, for justice and peace, and for compassion and solidarity among people was nationally recognized in the Philippines as imperative for all Christians, especially during the reign of terror and violence throughout the Marcos' dictatorship. Faced with violence and institutional injustice from a corrupt and oppressive government with its repressive ideologies and socio-political structures, the Filipino people looked to the Church for support and guidance.[11]

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[9] Julio De Sta. Ana, *Good News to the Poor: The Challenge of the Poor in the History of the Church*, Maryknoll, NY: Orbis Books, 1979 and Leonardo Boff, *Ecclesiogenesis: The Base Communities Reinvent the Church*, Maryknoll, NY: Orbis Books, 1986.

[10] Francisco Claver, "BEC in the Church in the Philippines," *Basic Ecclesial Communities: The Standard of Third-World Bishops*, Quezon City: Claretian Publications, 1983; Warren Kinne, *The Splintered Staff: Structural Deadlock in the Mindanao Church*, Quezon City: Claretian Publications, 1990; and Amado Picardal, "Basic Ecclesial Communities in the Philippines: An Ecclesiological Perspective," Ph.D. dissertation, Rome: Gregorian Pontifical University, 1992.

It was at the height of Marcos dictatorship when Filipinos awakened in themselves a liberation orientation.[12] Furthermore, the pioneering experiences in the Diocese of Tagum in the late 1960s, replicated later on in the other dioceses, revolved around the village chapel. These evolved into the *Gagmayng Kristohanong Katilingban* (GKK) or Basic Christian Communities (BCC). At first, the people were organized for liturgical, paraliturgical, fiesta celebrations, and some pastoral initiatives. At the GKK level, there were later attempts to establish livelihood projects particularly in Mindanao, owing to the workings of the Mindanao-Sulu Pastoral Conference (MSPC) and its Secretariat. Viewed by many bishops of Mindanao then as a radical pastoral project, they wanted nothing to do with it; some bishops however, were supportive of the BCC program. Later on, this model would be promoted primarily by the Basic Christian Community-Community Organizing (BCC-CO) Program. In the post-EDSA or the post-Marcos dictatorship era, the Second Plenary Council of the Philippines (PCP II) was convened and its Acts and Decrees endorsed the Church of the Poor and the Basic Ecclesial Communities (BECs). Thus, the former Basic Christian Communities (BCCs) became the Basic Ecclesial Communities (BECs). Since then, the BEC framework was understood as a concrete translation of the Church of the Poor and a guide for Philippine Church pastoral efforts.

Until now, a question on the relevance and influence of BEC in the life of the Philippine Church finds no certain answer as there is currently an absence of impact evaluation of the PCP II as well as a comprehensive assessment of BECs throughout the country. As to the quantitative aspect of BECs, it is impressive[13] but one is not too sure about its qualitative aspect; one can only make tentative statements subject to validation. Moreover, there has been a current debate regarding the involvement of BECs in development projects, including those that respond to health and livelihood needs. While some believe that BECs should not be engaged in such projects for various reasons, others concede that it is necessary for BECs if they are to become truly serving communities, especially if the State is not doing something for the people and the poverty situation is aggravated by the prevalence of calamities.[14]

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[11] Marina Obal Altarejos, *Filipino Basic Ecclesial Community between Limitation and Self-Transcendence: A Lonergan-based Elucidation of Fundamental Spirituality*, Quezon City: Obraku Imprenta, 2007, 133.

[12] Karl Gaspar and Alberto Cacayan, "BCC as Vehicle for Salvation," *MSPC Communication* 38 (November 1981).

Amidst all these questions and concerns, the paper posits its proposition: the BEC (in its structural and teleological inception) is the suitable base for a compassion-based economics embodying the criteria of both the socio-cultural and moral-cultural properties. This is a bold assertion or even an improbable assumption if one is to describe and identify the "BEC" in this proposition as the one that is presently at work and currently practiced by majority of dioceses in the Philippines since there is admittedly a kind of misinterpretation or mis-application of the genuine thrusts of the BEC as conceived by PCP II. Limited to mere liturgical orientation (community Eucharistic celebrations, Bible sharing, image enthronement, community rosary, and the like), most of the BECs in the Philippines have not really reached that significant stage that can reflect "total human development."[15]

8. Suitability of BEC as Base for Compassion-Inspired Economics

This paper's strong endorsement of BEC as the base for a compassionate economics may have to contend with some constraints. First, the Church where BEC is embedded is not into "economics." Second, socio-cultural studies have identified the failure of BECs in most areas in the Philippines, especially those in the cities, as largely caused by the presence of strong capitalist market tendencies. For Ferdinand Dagmang, capitalism brings forth a culture that drives people out of BEC or at least makes it difficult for them to be communities of fellowship and solidarity as they are driven by market dynamics and requirements.[16]

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[13] The number of dioceses that have adopted the formation of BECs as a pastoral priority has increased through the years. In 2002, there were 51 dioceses that participated in the BEC national assembly in Cebu. In 2005, there were 65 dioceses that sent delegates to the BEC national assembly. In 2008, there were 67 participating dioceses out of a total of 85 dioceses. Although, attendance of diocesan delegates in National Assemblies cannot be used as an accurate gauge for determining whether the BECs are regarded as pastoral priority by these dioceses, this can be used as an indicator. A more accurate data is forthcoming. Whatever the case, formation of BECs have been adopted as part of the vision-mission and goal of many dioceses. Amado Picardal, "The Basic Ecclesial Communities in the Philippines: Recent Developments and Trends," <http://www.cbcpbec.com> (8 Feb. 2013).

[14] Karl Gaspar, "Localization Resisting Globalization: Basic Ecclesial Communities (BECs) in the Postmodern Era," *East Asian Pastoral Review* 4 (2001), <http://www.eapi.admu.edu.ph> (28 Jan. 2013).

[15] Altarejos, *Filipino Basic Ecclesial Community*, 224-225.

Despite these obvious predicaments however, this paper argues that while it seems inevitable for these capitalist tendencies to leave the confines of today's market communities where BEC is expected to live alongside it, then it seems pointless to envision a BEC that is purely context-independent of market scenarios and practices. On the contrary, it may even be logical (and even urgent) therefore to push for a stronger and unyielding engagement of BEC into socio-economic agendum. Why not create and form (small) neighbourhood markets based on BEC structures in such a way that substantivist values (kinship, religion, friendship, etc.) than formalist ones (profit, utilities, techniques, etc.) are upheld? With BEC's active socio-economic engagement (livelihood projects, cooperatives, small stores, etc.), as economic alternatives, what is created are not only projects but additional opportunities and scenarios for interpersonal and communal contact and network. In this way, a culture of fellowship and solidarity may even be more feasible not in spite of but because of these additional opportunities based on socio-economic interactions.

Socio-culturally, such likelihood is even bolstered by indigenous practices like William Davis' *suki* complex among Filipinos.[17] While *suki* may negatively connote, as in any other indigenous Filipino core values, increased sentiment or disposition for formation of exclusive groups that may tend to marginalize others outside the group, this paper looks at it from the group's capacity to also practice inclusive solidarity. Its natural composition taking root from faith, Christological, and ecclesial orientations, BEC members who would engage in active socio-economic activities with *suki* and other Filipino core values like *hiya, pakikisama,* and *utang na loob* as embedded human dispositions are likely in better and stronger position to utilize these values towards communal solidarity and fellowship.[18]

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[16] Ferdinand Dagmang, "The Church of the Poor: Church Renewal through the BECs, Renewal for Catechesis and Religious Education," Plenary paper presented in the First National Conference on Catechesis and Religious Education, Manila: DLSU, 2012.

[17] William Davis, *Social Relations in a Philippine Market: Self-Interest and Subjectivity*, Berkeley: University of California Press, 1973.

Moreover, it is argued that even if the Church is not into economics, the BEC (at least in PCP II articulation) is essentially capacitated towards a socio-economic agendum/engagement. Under this condition, a BEC can, for instance, extend into a cooperative that lends money for livelihood projects to help the members and even others in the area. In PCP II conciliar formulation, the discussion on "BEC" (par. 137-140) appears immediately after the "Church of the Poor" (par. 122-136). BEC is articulated with socio-economic nuances: "their concerns both *material* and spiritual" (par. 138) and "emerging at the grassroots among *poor farmers and workers*" (par. 139). While this paper argues for the concept of "integral development" as BEC's mission for its members, there is no direct and explicit exhortation in PCP II document. Despite this, however, "integral development" (par. 293-296) is explained under the topic on "social doctrine of the Church," which bears implicit references to BEC through the following explicitations: "… but *generating jobs for the unemployed, raising the standard of living, increasing the gross national product, providing economic sufficiency…*" (par. 293) and "This is why we cannot help but mention the neglect and even exploitation of the *poorest of the poor*, such as members of the tribal Filipino communities, of *seasonal sugarcane workers, or landless tillers and industrial workers and slum dwellers*" (par. 295). In short, the argument for BEC's socio-economic agendum is premised on the vision of the Church of the Poor that provides not only economic liberation but total human development.

Another contention of suitableness of BEC rests on the basis of the fourteen (14) social and moral cultural properties that define the appropriate base for a compassion-based economics (See Table 3). While one can find these properties in the historical and theoretical narratives of BEC, the degree of "evident-ness" of each property is clearly differentiated and therefore must be thoroughly qualified, defined, and validated.

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[18] There were studies that support the positive aspects of these Filipino cultural values. See Reynaldo Clemeña Ileto, *Pasyon and Revolution: Popular Movements in the Philippines, 1840-1910*, Quezon City: Ateneo University Press, 1979 and Ferdinand Dagmang, "Hiya: Daan at Kakayahan sa Pakikipagkapwa," *MST Review, Introductory Issue* (1996), 66-90.

At first glance, BEC seems to possess all the properties; closer introspection, however, shows that there are some of them that need further justification, precisely because it is not as obvious or evident as the rest. This paper takes note of the following properties that need further evaluation: non-profit motivation and sustainable (ecological) development in the area of socio-cultural frame, and capacity for institutional challenge in the moral-cultural frame. While BEC may not be popularly known to claim the aforementioned properties, a more extensive research and literature review would reveal that these properties are structurally included, perhaps implicitly, in the design and praxis of BEC.

On the *non-profit motivation*, the BECs are expected to transcend or exceed the stage of liturgical worship (traditionally identified with BECs) and become serving communities for the people at large. By opening the communities to the broader concerns of the "secular" community and the other economic problems, and since most of the families are poor, communities started to concern themselves with organizing cooperatives, livelihood projects, credit unions, agricultural productivity, etc.[19] The socio-economic aspect of BEC dynamics is a response to its core axiom of "total human development." In a report by Amado Picardal, executive secretary of the CBCP Commission on BECs, a survey conducted before the 2008 BEC National Assembly has showed responses from 40 dioceses, 93% of the whom have initiated BEC-based pro-poor programs, e.g. livelihood projects, microfinance, small enterprises, cooperatives, feeding programs, etc.[20] While it is true that like in any other community-based cooperatives or government-initiated livelihood projects, the BEC-based social programs may have the need to generate profit but not in the way capitalist corporations and enterprises understand it. Profits or surpluses, while clearly secondary, are regarded as a welcome side-effect (indirect consequence) that if properly mobilized can be utilized as a revolving fund among many possible options that can further promote and reinforce the primordial aim of helping those in need to not be in want. The motivation is to contribute for the common good while taking in profit as mere incidental or auxiliary.

On *sustainable (ecological) development*, the BECs in the Philippines are also known to engage in programs and movements that promote ecology and environmental conservation.[21] Aside from the fact that communities of this kind emerge from grassroots, their localized context brings along with it the natural care for environment and their cooperative model carries with it their mobilization of local and indigenous resources. The strong communion of shared life among members of these communities is found to extend even to the environment that they live in and reside. Since most of the raw materials and resources they use for their livelihood are obtained from the nature around them, moderation and gradualism have become standing principles that guide their activity.

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[19] Altarejos, *Filipino Basic Ecclesial Community*, 224.

[20] Picardal, Recent Developments and Trends.

[21] Picardal, Recent Developments and Trends.

On *capacity for institutional challenge*, it has already been mentioned how BECs (formerly BCCs) took root right in the very heart of the Christian community amidst the oppression and injustices inflicted on the people by the Marcos dictatorial regime under Martial Law. These communities became immersed in addressing various societal concerns and issues involving the violation of human rights and other forms of injustices. A form of resistance to the long historical effect of colonization to Filipino culture and practice, particularly the so-called "culture of silence and dependence," the BECs must be able to promote and live out the values that can break away from the status quo.[22] Case in point is the emergence of BCCs in the Diocese of Tagum in the early inception of such faith-based communities. The newly-ordained local priests, motivated to find their own strategy for pastoral work, introduced their own individual style of effecting pastoral changes "but all were motivated by the desire to change the status quo and implement the principles of dialogue, participation and co-responsibility set by Vatican II."[23]

The elucidation of some of these properties clearly reinforces the distinction of BEC as the suitable base for a compassion-inspired economics. With all the qualities of a compassionate economics structurally and teleologically situated in the BEC as the base, the only concern is the feasibility of its actual and proper implementation. Based on a 1995 report by the National Secretariat for Social Action (NASSA), there were only about 34.47% of the BECs in the Philippines that were engaged in the process of social transformation.[24] This figure hardly reached a critical mass that can substantially change Philippine society. However, 2008 figures and reports by NASSA had shown significant increase among the dioceses that have accepted a more holistic and integral vision of BECs. As this data hardly provide an accurate picture of the actual number of BECs, admittedly, there is still a big gap between this vision and the reality among many of the BECs. But an optimistic and encouraging future is clearly possible with BEC's appropriation of the 14 cultural properties that correspond to a vision of compassion-based economics at least among the small narratives along the margins.

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[22] Altarejos, *Filipino Basic Ecclesial Community*, 239.

[23] George Rimando, "Basic Christian Communities: Tagum Experience," an article written for the Lay Formation & Training Center, Diocese of Tagum, Davao, October 4, 1996, 3.

[24] Amado Picardal, "The Basic Ecclesial Communities (BECs) as Means for Social Transformation," <http://becsphil.tripod.com> (2 Feb. 2013).

9. Perceived Limitations of a BEC-EC

Despite this paper's confidence in a BEC-based economics of compassion (BEC-EC), there are certain limitations or cautions that must be clarified. First, BEC-EC has no intention even in the years ahead to replace or become a substitute to the 'dominant' mainstream economics that is clearly identified with neoliberal capitalism and mathematized neoclassicism. Second, BEC-EC is proffered as an economic alternative among the many emerging non-standard models and frameworks that exist alongside the grand narrative of neoliberalism. The proposed BEC-EC is more focused on maintaining a degree of humanized communal existence within and among the small communities of people. Third, BEC-EC is not designed to be a grand or universal framework that must homogenize all small communities as the dominant and controlling narrative for all. It allows varieties in forms and dynamics given the different contexts, cultural artefacts, and traditional values that are embedded in every community or neighbourhood.

Aside from the aforementioned, the most important clarification of a BEC-EC framework is that with BEC as the suitable base, it only means that BEC will provide a "structural framework" for an economics of compassion. As a structural framework, BEC does not only serve to concretize the vision of the Church of the Poor but also economics of compassion. In other words, a community must first establish a strong bond among one another in faith and spiritual communion, with deep and sincere human connection and interaction. Since most BECs in the Philippines are initially functioning in liturgical-praying dynamics, one has to guarantee that all the 14 cultural properties are strongly reinforced before progressing in a BEC-EC dynamics. In this way, a strong foundational structure may avoid the pitfalls of alienating tendencies of the globalized market narratives. Hence, the existence of an economics of compassion requires the BEC as the foundation and base.

As a BEC-EC, it can actually integrate the features of a cooperative model that is usually manifest in many of the sector-based community cooperatives in the Philippines (credit, consumer, producers, service, and multi-purpose among many). Primordially a BEC and secondarily an EC, in structural and foundational order, the community may opt not to adopt any economic model and simply pattern itself after the first Jerusalem community, where no one was in want (Acts 4:34) because everyone shared out of love. With an adoption of a cooperative model, however, one must by all means uphold that it would not in any way destroy the BEC structural base. The vigour of an EC dynamics rests on the strength of its BEC foundation inasmuch as the failure of an EC dynamics reflects the limited capacity of its BEC in fulfilling its most crucial thrust of total human development.

10. Conclusion

What is distinctively interesting in this paper amidst those who have ventured into contributing models and frameworks for non-standard economic alternatives is its religious/theological theoretical foundation to promote an agendum of a compassion-based economics. Its interdisciplinary approach to offer a framework for an economic alternative that is situated within an unfamiliar and strange ecclesial space would not only be beneficial for the science of economics but also to the promotion of church-based initiatives, particularly those that pertain with building and maintenance of the BECs, at least in the Philippines.

There is still much to be studied and analyzed especially in the aspect of practicability and actual implementation but further researches can handle such especially that there have been already some pilot-testing in some areas in the country, particularly in the Mindanao regions. This paper's proposal for a BEC-EC is perceived as a socio-cultural shift in the way BEC incorporates a strong socio-economic thrust in the context of its inherent call towards total human development. This paper argues that if only BEC would realize its vision of a Church of the Poor through integral development of people, the rationale for BEC's active socio-economic engagement is herewith provided and would be sufficiently justified to challenge those with constant objections or apprehensions over an economically-inclined BEC dynamics.

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CORPORATE SOCIAL RESPONSIBILITY
Myth and Reality

Gerard Rassendren and T. Sagar Prasad[◆]

Abstract

Companies nowadays strive to be socially conscious in the way they do business by taking up corporate social responsibility (CSR) activities besides maintaining profitability. Similarly consumers modulate their purchase choices to be made up of products that have been produced and marketed through socially responsible processes. But the congruence between achieving gain and being responsible to the community has ethical contradictions due to the presence of self interest. This paper proposes to examine the dimensions of this conflict and towards the end suggest a new orientation that foregrounds social responsibility relative to profit or gain.

Keywords: Corporate Social Responsibility (CSR), ethical conflicts, self interest and profit.

1. Introduction

In the present day, business organisations and consumers pursue multiple objectives. In addition to the goal of profit maximisation, businesses also seek to fulfil other goals that give increasing importance to their stake holders as well as their expectations. On the consumers end, motives influencing purchase choices have moved ahead from merely buying for the sole purpose of consumption and materialistic improvement to one's quality of life, to include purchase choices that would directly or indirectly contribute to social betterment. Preference for a product is an indication of the preference for the company producing it. The criterion consumers use to decide their preference for a company is not limited to its market standing but includes social and ethical practices it follows in the course of doing business. These practices constitute a domain of business behaviour called as 'Corporate Social Responsibility' (CSR).

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The hierarchy of importance and the magnitude of impact of socially responsible criterion on business behaviour and consumer choices, however, are not so clear enough to make universal claims about them. The reason for this is the conflict between ethical choices and material choices. Individuals face the dilemma of morals versus necessity while business entities face the dilemma of following practices enabling community welfare versus corporate profit. At a very micro level what forms of consumption behaviour constitutes 'necessity or need' also differs according to the socio-economic class to which one belongs i.e. it is a relative experience. For example, a formal dress is expected of a teaching professional but not necessarily from a daily worker. Even so in the case with corporate profit, how much of profit and how is it earned are the key questions. These two issues are important because pursuit of profit in business or in economic exchange relations is not intrinsically unethical, but the value questions emerge when decisions have to be made about the extent of profit or gain and the manner of acquiring it. The question is: do a moral code and an ethical philosophy inform and moderate the drive for profit or does profit goal have primacy at all cost. The distinction is between unabated as well as insatiable attainment of profit versus the duty to decide that it is only thus far and no more because the ethical foundations do not permit. In effect the issue is whether to pursue a pattern of life based on maximising behaviour or on satisfying behaviour.

This paper proposes to explore the various nuances of this conflict on three fronts: (i) in the standard and dominant conceptualisations of Corporate Social Responsibility (CSR), (ii) in the historical progress of CSR in the Indian context and (iii) with respect to awareness as well as impact of CSR on consumers' purchase decisions. Empirical evidence in connection with the third task will be shown as a case study narrative followed by elucidating the dimensions of ethical conflicts in it. Further the discussion with respect to the first two is related to the business enterprises' side of the market, located in the supply side of the market while the debates raised in relation to the third aspect is centred on the buyers' side of the market, located in the demand side of the market.

2. Standard CSR Concepts and Conflict in Ethical Orientations

The earliest conceptualisation of the idea of corporate social responsibility was by H. R. Bowen. He defined CSR as, "the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society."[1] Bowen construes CSR as an obligation of the business enterprise with a strong tinge of philanthropy, constituting the motivation for such activities, though not overtly stated but subtly implied as social desirableness of actions. Nevertheless, he maintained a duty based comprehension of CSR. In the next two decades these corporate activities were understood as those that went beyond a firm's direct technical and economic interest but still retained the residual philanthropic basis of business behaviour.[2] It is also seen in Carroll's model of CSR[3] according to which CSR is made up of four different social responsibilities forming a pyramid arranged in a hierarchy of importance. At the base of the pyramid is economic responsibility followed by legal responsibility, ethical responsibility and philanthropic responsibility. Figuratively a pyramid begins with a broad base and tappers to the top, do not begin at the top and expand at the base. The act of fulfilling an enterprise's economic responsibility is to ensure the entrepreneur – investor earns a gain first and after it begins the need to abide by the law, undertake value driven business behaviour and ultimately contemplate the well being of the other. Here being profitable precedes being ethical and being other-centred. It is after accomplishing what is required by capital does the enterprise looks into what is to be done by it as a member of the larger community. Commerce contemplates ethical behaviour after business.

The observation hitherto made indicates a belief system that an enterprise is and is only a business entity for which market share and profits are to be the most normatively desirable goals. For example it does not matter for a heavy commercial vehicle company that one of its customers is a dictator who will most probably use the automobile to engineer oppression of citizens. The fact that it is a case of ethical behaviour after business is an affirmation of this dominant viewpoint. The critique we posit here is directed against the notion that a business cannot be conceived as a social entity except for the sake of profit and secondly against the view that if by believing it to be a social entity with the concomitant need to abide to norms of decent as well as responsible business conduct constrains its profits, then let it be that ethical behaviour is relegated to the backwaters of business behaviour. Commerce, thus, faces a conflict of ethics in decision-making when the goals of its business constituency, namely investors, creditors and managers, diverge from that of its non-business constituency. This divergence makes it difficult to justify a primary attention to ethical behaviour in business.[4] Nevertheless our view is that primacy of ethics in business behaviour is an issue of moral conviction, neither a case of just pragmatism nor of monetary measurement of gain.

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[1] Howard Rothmann Bowen, *Social Responsibility of the Businessman*, New York: Harper & Row, 1953.

[2] Keith David, "Can Business Afford to Ignore Social Responsibilities?" *California Management Review* 2, 3 (1960), 70-76; McGuire, Joseph William, *Business and Society*, New York, McGraw Hill, 1963.

[3] Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders," *Business Horizons* 34, 4 (1991), 39-48.

Gradually the model of corporate social responsibility began to go through a transition and moved ahead of the hierarchical orientation seen in Carroll's CSR pyramid. By the late twentieth century and in the twenty first century, the dominant emerging discourse about CSR was that it constitutes a set of several interconnected activities of which philanthropy is one, among others such as economic, legal and ethical, and that it is an integral part of a well conceived business strategy. The purported goal being claimed by its protagonists is to achieve social well being.[5] This orientation can be seen in two other models, the first is an improvement over the older Carroll model[6] and the second is the CSR DNA 2.0 model.[7] In the former the hierarchical pyramid of responsibilities is replaced with a Venn diagram like arrangement of the legal, ethical and economic aspects of business behaviour. In the latter theory there are five basic components of corporate behaviour, just like the five constituents of the DNA – adenine, cytosine, guanine and thymine and just as the DNA encodes the instructions for the development as well as functioning of living organisms, the five components of CSR instruct the existence and operation of the economic organism called a business enterprise. The five components of the CSR strand are: (i) value creation – the economic and financial responsibility of the company; (ii) good governance –

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[4] Ian B. Lee, "Corporate Law, Profit Maximization, and the 'Responsible' Shareholder," *Stanford Journal of Law, Business and Finance* 10, 2 (2005), 31-72.

[5] Carroll, "The Pyramid of Corporate Social Responsibility;" Philip Kotler and Nancy Lee, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, Hoboken, New Jersey: John Wiley and Sons Inc., 2005.

[6] Mark S. Schwartz and Archie B. Carroll, "Corporate Social Responsibility: A Three Domain Approach," *Business Ethics Quarterly* 13 4 (2003), 503-530.

[7] Wayne Visser, "The DNA Model of CSR 2.0: Value Creation, Good Governance, Societal Contribution and Ecological Integrity," *CSR International Inspiration Series* 9 (2011).

appropriateness in reporting and auditing as well as maintaining transparency in business dealings; (iii) societal contribution – having a people oriented approach such that it demonstrates concern for human rights and development of society; and (iv) environmental integration – setting and pursuing standards that minimise externality costs caused by production. All these aspects of business conduct are at a common level with equal importance and with overlapping combinations, such as the purely economic, purely legal, purely ethical, economic-ethical, economic-legal, legal-ethical and economic-legal-ethical.[8]

The strength of the dual presence of pure as well as overlapping components of business behaviour is the leverage it gives for an enterprise to locate any of its activity in one of the entities depending on the demands market environment places on the enterprise. The challenges of employing these principles, be it the distinct elements or overlapping combinations are quite evident. For example corporate policy of not employing children in the production floor may be an ethical behaviour as well as a legal responsibility. At the same time dynamics of competition and cost minimisation can compel business to employ children in the production process while what restrains it will be its illegality rather than its unethical quality. In other words profit is a requirement while ethics of social conduct in business is an expectation. A requirement is meant to be accomplished regardless of anything else but an expectation needs to be fulfilled only voluntarily or under exogenous compulsion. So if profit is a requirement then its attainment will be undertaken as well as exacted ruthlessly and without restraint. Similarly if adherence to moral norms in social behaviour of business is an expectation, it will be accomplished only because of a sense of voluntary goodness or when it is imposed by external constraint. Business will do what is right either when it feels like or when it is profitable or when it is urged on forcibly, because otherwise it is not the core governing principle of the business economic system.[9]

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[8] Schwartz and Carroll, "Corporate Social Responsibility;" Vollmert, Matthias, *Master Thesis: Corporate Social Responsibility – Impact on Applying and Buying Behaviour*, retrieved from Maastricht University, Faculty of Economics and Business, 2007.

[9] Cynthia Stephen, "Enlightened Economics: Ambedkar's Economic Thought and India's Liberlised Economy" in Saju Chackalackal, ed., *Towards a Strong Global Economic* System, Bangalore: Dharmaram Publications, 2013, 399-422.

3. CSR, the Indian Scenario: Ethical Dilemmas

In the preceding section, though in the form of a historical evolution, the main focus has been on the ethical challenges in the very concept of corporate social responsibility. Now as a matter of logical sequence, attention is being given to the historical development of CSR in India and the way it is practiced by business organisations. This is followed by an exposition of the ethical dilemmas visible in this historical process. India has had four major phases of historical development of CSR.[10] The phases are briefly explained below:

The first phase: In this phase which lasted till the 1850s the main component of CSR was philanthropy. The reason for this was the background of industries which were family owned business and so the religious values, family norms, culture as well as family traditions were the driving forces for undertaking socially benevolent activities. For example wealthy merchants financed the development of villages, settlements, construction of temples or religious places, development of health facilities, etc.

The second phase: This phase witnessed the spread of the independence movement and Mahatma Gandhi evolving the idea of "trusteeship" in using resources and in business conduct. Gandhi propounded the idea that industrialists had two responsibilities – generate wealth and to provide benefits to the common man. This view of "trusteeship" influenced industrialists to adopt a socio-economic development approach in the way business is carried out. The main elements of CSR in this period were highly related to the internal organisational structure such as the non-practice of untouchability in the work place and in increasing women participation in the workforce.

The third phase: This phase covering two decades from 1960 to 1980 was a period of India's robust engagement with the mixed economy model personified by the emergence of public sector industrial undertakings (PSUs). During this period many labour laws as well as standards and regulation about environmental conservation, licensing of industrial activity and so on were introduced. Accounting and auditing of socially responsible initiatives by firms was developed although its implementation was not very successful. Although the need for business to behave in an ethical manner seemed more intense as a social consciousness than in the previous phases how seriously businesses pursued it is doubtful as systematic recording of such activities was never conducted as a part of business process except by enterprises who wanted publicity and goodwill.

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[10] Tatjana Chahoud, et al., *Corporate Social and Environmental Responsibility in India: Assessing the UN Global Compact's Role*, Bonn: German Development Institute, 2007.

The fourth phase: This phase which began in the 1980s witnessed the transition of CSR from being an endeavour in philanthropy to having a strategic dimension, and to becoming a critical element in a company's business plan. This was a global phenomenon and was duly adopted by corporates in India too. Norms encouraging companies to allocate 2% of their profits for funding CSR activities has become popular. This is not a compulsion and so businesses can either contribute more or less than this stipulated proportion. Although it is not explicitly stated, it seems to be assumed that if CSR is a component of a business plan and a business plan's goal is proliferation of sales as well as profit, then CSR activities are intended to prop up reputation for the firm. This will ultimately translate into preference and loyalty by the consumer to a product brand.

The above time line description shows how the discourse of CSR has traversed from being a set of defensive as well as charitable activities that are to be well publicised, to a set of strategic processes that are well synchronised with the company's fundamental motive – profit. The artifice of this artificial affinity between common good and corporate practice of accumulation of profit, becomes complex with manifold implications, given that business enterprises are also repositories of resources – material and also human. Provision of CSR requires use of resources and investing resources is an integral element of an enterprise's business strategy but with the aim of profit maximisation. When operated through the dynamics of market competition with its core value of acquisition and goal attainment before as well as at the cost of the other, it is illogical for CSR to foreground wellness of the other over the pursuit of maximal self interest and gain.

In order to substantiate this observation and more so to expose the double standards as well as the refined hypocrisy of corporate business hidden behind the facade of social responsibility, a few case examples drawn from reports, company websites, statements of top corporate executives and newspaper reports are examined below:

(a) Tobacco companies around the world and also in India strive to project themselves as socially responsible and thereby endear themselves to community welfare. Predominantly the two targets of their social activities are – the youth and environment. The purpose is to deflect the focus away from the health hazards of nicotine dependence and the truth that mass cultivation of tobacco has been at the cost of deforestation in many countries especially in Asia. In all its youth related activities tobacco companies somehow bring in the idea that smoking is an adult choice and so also an informed choice. But this is done without explaining the dangers of smoking for the health of the smoker, the passive smoker and the environment. Further according to a report by corpwatch, one tree is consumed for every 300 hundred cigarettes produced. In order to cover this up these companies actively engage in tree planting programmes, providing agriculture extension services to educate farmers on good agricultural practices, watershed programmes and so on. All these help cultivate the right atmosphere to engage in effective political and policy lobbying enabling these enterprises to circumvent the political and legal constraints on their business. This ultimate intent is amply seen when J J Slavitt of Philip Morris said, "As we discussed, the ultimate means for determining the success of this *(youth)* program will be: 1) a reduction in legislation introduced and passed restricting or banning our sales and marketing activities; 2) passage of legislation favourable to the industry; 3) greater support for business, parent and teacher groups."[11]

(b) ONGC India has recently begun drilling oil in Johart-Golaghat districts located in the disputed "B" sector of inter-state Assam-Nagaland border. As it is a disputed region it is a business contingency for ONGC to take the local communities into confidence and so through the ONGC-NSTFDC Hathkargha Prashikshan programme, it funds and facilitates the development of women handloom artisans among the marginalised tribes in Assam who are living proximate to ONGC's drilling facility.[12]

(c) According to an Amnesty report dated 8 February 2013, nearly 1500 families in Jagatsinghpur district in Odisha face the threat of a forced eviction from their common agricultural lands which they have inhabited and cultivated for centuries in order to help the South Korean Steel major

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[11] Southeast Asia Tobacco Control Alliance, "Tobacco Industry Tactics, A Perfect Deception: Corporate Social Responsibility Activities in ASEAN," 2008, <http://resources.seatca.org/Perfect%20Deception.pdf> Action on Smoking and Health, "We're Socially Responsible: The TRUTH behind British American Tobacco NZ's Corporate Social Responsibility Reports," 2005, <http://www.itcportal.com/about-itc/policies/policy-on-social-investments-csr.aspx>

[12] http://www.business-standard.com/article/companies/ongc-starts-drilling-oil-along-assam-nagaland-border-area-112060800162_1.html; http://www.ongcindia.com /wps/wcm/connect/ongcindia/home/csr.

POSCO acquire 283 hectares for its steel production plant. The report continues to state that nearly 200 police and district government officials entered the village of Govindpur and dispersed a peaceful human blockade of 150 villagers – including children, women and the elderly – who were protesting by beating them with batons. While the private sector and state partnership is a clear case of criminal nexus intending to violate human rights, POSCO's official policy document on Social Contribution states it would help raise the living standards of the people of Odisha by extending welfare programmes to the local community. This expression of its social commitment is blatantly ludicrous because on the ground it is stripping whole communities of their means of livelihood by engineering forcible eviction from common agricultural land that are filled with beetle vineyards.[13]

Although many more similar cases can be cited, the above three sufficiently point the true intent of CSR policy and activities undertaken by business enterprises. Enterprises choose under the guise of CSR those activities or practices that will enable them to acquire goodwill, an intangible asset which is even monetarily estimated in the account books, engage in deceptive advertisement and even more use it to cover up their criminal practices. In other words self interest, profit orientation and market competition instigate companies to actively undertake welfare activities to camouflage the societal harm and environmental damage caused by their businesses.

4. Empirics of the Impact of CSR on Consumers

While in the foregoing sections an attempt has been made to throw light on the ethical challenges in the idea of corporate social responsibility and also in the manner in which it is practiced, through a framework of CSR's historical evolution as well as select case examples, the discussion has been predominantly positioned on the sellers' side of the market i.e. attention has been on the business organisation. It is both advisable and imperative to analyse the buyers' side as they are recipients of the outcomes of CSR initiatives and also because every market exchange relations has two sides – that of the seller and the buyer. This has been done through a survey of 100 students in Bangalore. There are two reasons for choosing students as the survey unit – (a) hardly any empirical study

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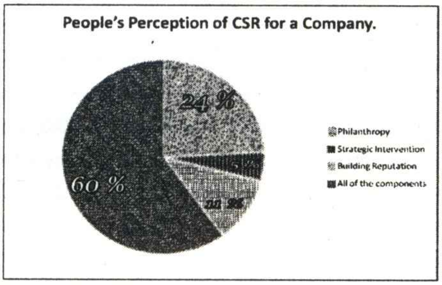
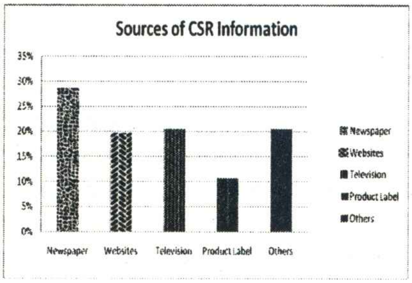
[13] Amnesty International, "Urgent Action: Farmers at Risk of Forced Eviction in India," 8 February 2013, http://www.amnesty.org/en/region/india?page=4; http://posco-india.com/website/sustainability/social-contribution.htm

exists on students' perception of CSR by companies and (b) empirical study has not been conducted about such a perception on students who are a dependant segment of the population, barring some exceptions. Specifically the objectives are to identify the level of awareness about CSR among college students, trace their opinion about what composes CSR to a company as well as determine any relationship between awareness about CSR and their purchasing patterns. Descriptive statistics is utilised to examine the phenomenon with respect to these goals. No attempt is made to establish a definite causality between the variables especially between awareness about CSR and purchase patterns, but the ensuing description and discussion strive to elucidate the implications emerging out of the descriptive statistics. Further since the purpose here is to delineate the ethical nuances in students' experience of the CSR phenomenon, the empirical findings of the survey are transposed into a case narrative and analysis.

The survey itself was conducted by administering a structured questionnaire to the sample respondents. The questions were related to four aspects: (a) what are the corporate goals they perceive in the CSR of organisations; (b) what are the sources of information about CSR; (c) whether companies need to respect human rights and environment concerns and also respect ethical practices in general over short term profitability; and (d) whether they would pay more for a product produced and marketed by adhering to ethical as well as socially responsible processes. The last factor which is the most important one because it helps to observe the impact of CSR on consumers was captured from their reaction to two hypothetical situations expressed to the respondents in the form of statements. In the first case they were asked to choose between two products of equal quality and price though one had been produced by a company engaged in CSR while the other by a company not engaged in CSR. In the second case the respondents were asked to choose between two products of equal quality considering one of it had been produced by a company involved in CSR activities but had consequently increased the price. Responses to questions related to the third and fourth aspect in the questionnaire were taken on a five point Likert scale wherein the responses range from 'strongly agree to strongly disagree.'

Let us now briefly describe the statistics through tables, pie charts and bar graphs. Among the student respondents nearly 60% perceived CSR as a multi dimensional phenomenon, composed of philanthropy, strategic intervention and that it is a means to build reputation as well as good will. Secondly the most popular sources of being informed about these corporate practices were newspapers, websites and television. These two aspects are clear in the following pie chart and bar graph respectively.

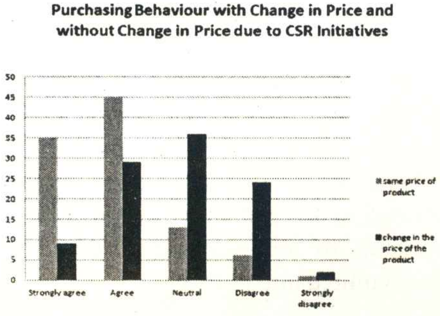




When it comes to whether companies need to respect human rights, environment concerns, and also show respect for ethical practices in general over short term profitability, 90% - 91% feel that corporates have the obligation to pursue human rights as well as environmentally sustainable practices and 70% feel that corporates have the obligation to maintain ethical principles over short run profit. This is shown in the following table:

Response	Human Rights	Environmental Concern	Ethical Principles over short term Profitability
Strongly Agree	40%	41%	24%
Agree	51%	50%	46%
Neutral	6%	6%	22%
Disagree	1%	3%	6%
Strongly Disagree	2%	0%	2%

While some uncertainty is possible in the mind of the respondents when having to choose between ethics and profitability, the apparent conviction claimed by the majority is principles supersede immediate gain. There is, however, a vacillation in the preference for a product if its price changes upward due to the cost factor when they are produced and marketed in a manner of taking full cognisance of ethical as well as social concerns. This was captured through two hypothetical situations given in the form of statements to the respondents for their reaction.



Response	Same price of product	Change in product price
Strongly Agree	35%	9%
Agree	45%	29%
Neutral	13%	36%
Disagree	6%	24%
Strongly Disagree	1%	2%

From the above it can be observed that 80% of the respondents concurred on choosing a product that has been produced by a socially and ethically responsible company as long as price does not change but with respect to the situation enjoining one to share the cost of CSR initiatives through marginal increase in product price the ranking fell drastically from 'strongly agree and agree' to about 60% being in the range of 'neutral' and 'disagree' responses. Thus, the individuals though they claim to a conviction that business enterprises have to be socially responsible, that products consumed should ideally be manufactured and sold through processes which are ethically well oriented, such a conviction is not translated to buying behaviour if that has increased product price. Increase in what one pays out is an implicit diminution in the consumption worth of the product. Finally the consumers are interested in their profit!

5. Conclusion

The above investigation of the concept of CSR, the manner in which it is practiced by corporates and also the ways individual consumers perceive it indicate the dominance of self interest. The proverbial 'self-love' of Adam Smith pervades both the material and the moral spheres of human activity and thought processes. Affinity to moral dimensions in production and consumption choices occurs only up to the point where gratification is not compromised both in terms of the price buyers have to pay or the cost sellers have to incur and through it, utility attainment. Pursuit of maximal gain reflected as profit on the supply side of the market and satisfaction from consumption on the demand side eventually precedes, claims superiority and enjoys hegemony over any professed ethical convictions that enable social wellness. Merely announcing and acknowledging tenets of socially responsible behaviour without deliberately following them in economic choices is just another case of 'feel-good' social commitment. 'Welfare of all,' here, is an emotion and not a decision. Further if the adoption of ethically responsible economic choices is used to disguise pursuit of self-aggrandizement, the decision in question is downright convoluted and corrupt.

It is true that the preceding discussion posits a near fatalistic perspective about ethics having any chance in human economic decisions and relations. It is as if everybody is saying: "yes, ethics is good, ethics is right, ethics is essential but let's talk about it after we're done the business." On the face of it, what seems to transpire is a situation of either the economics of production and consumption or ethics, but never the twain can meet in a right manner. Reiterating this observation in the words of Adam Smith, "We (*each one of us*) address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages."[14] Paraphrasing what this hyper literate sage of political economy said in the context of the phenomenon of CSR, being community centric and humane lies at the margins, at the periphery of human economic decision-making and is not its core. Concern for the other is coincidental to gain and that is the problem with CSR in its present form i.e. being responsible is secondary to being profitable. It is imperative to establish the primacy of responsibility and profitability becoming a secondary variable. Social responsibility is not meant to be an afterthought. The community and its well being cannot be points of reflection consequent to business choices, but should be the main focus, the very rational ground for the existence of those choices.

One objection to this line of argument is that it implies, in a subtle way, the very elimination of the motive of gain, be it a seller or a buyer and consequently no incentive for business investment. The objection is a short sighted view of business activity. Firstly, achieving gain is not unethical but striving for it to the maximal extent poses serious ethical challenges. Attaining the maximum is only possible at the cost of the 'all other' being in subordinate condition. The moral lacuna of this economic state crops up when the subordinated 'all other' is made up of human rights, transparency in transactions, labour benefits, child labour, traditional means of livelihood and so on. The human person, in this framework, has been substituted by an inanimate materialistic entity – profit. The yardsticks of performance are only price and market values, not the welfare of all.[15] Undertaking projects for community well being after having compromised on social issues just listed out here as a sample, is hypocritical and ethically deviant. Secondly the counterview does not recognise the relativity between short term profits and long term benefit. When a business enterprise follows moral values in the conduct of its activities it is highly probable to be in the situation of making some sacrifices to immediate profits. As an analogy when a responsible parent admonishes and reprimands his or her child, the child will be visibly displeased. Nevertheless the parent puts up with it because he or she is making the effort to ensure an adult of good character in the long term. In the same way by basing economic decision and action on ethical principles and directing processes according to socially responsible criterion every commercial organisation irrespective of its size and every consumer, is ensuring a lasting market goodwill as it will be generated by transparent and verifiable facts of behaviour; ensuring environmental sustainability that will make available the same development opportunities enjoyed by the present generation for the future generation; and ultimately a long term lasting economic benefit to the community and the commercial enterprise. In fact, "ethical behaviour in business (*and economic behaviour*) will result in goods production, trading, cooperation, fulfilling promises, attaining economic development, mental calmness and peace among people,"[16] all of which are preconditions for the market to work efficiently.

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[14] Adam Smith, *The Wealth of Nations*, Clermont, Florida: Paw Prints, 2008.

[15] Salvatore Pennacchio, "Towards an Economy Based on Love and Justice" in Saju Chackalackal, ed., *Towards a Strong Global Economic System*, Bangalore: Dharmaram Publications, 2013, 30-34.

In the light of the above arguments we are proposing a reversal of orientation. One has to do what is ethically right from the very beginning and not as a consequence of profitability or gain. Besides as corporate sellers have more investable resources drawn from society, compared to the common consumer, it logically follows that the former have the greater obligation to initiate the trend relative to the latter. This does not mean the common consumers can abdicate their responsibility to the community in their choices because they too bear the duty and have the capacity to refuse products made and marketed in an unethical as well as socially irresponsible manner. However, corporates relative to the individual consumer have greater capability to generate a stronger impact by pursuing socially enabling criterion in their processes. The clarion call is to make social responsibility not incidental to profit or gain but profit or gain is to be incidental to social responsibility. This is in no way a negation of the individual self but is a shift in the way the individual self is to be understood. The core of the shift is from, 'I am, therefore we are', to 'we are, therefore I am.'

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[16] Gholamreza Mesbahi Moghaddam, "Business Ethics in Islam" in Saju Chackalackal, ed., *Towards a Strong Global Economic* System, Bangalore: Dharmaram Publications, 2013, 381-397.

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ETHICS AND GLOBAL FINANCE

Anju George[♦]

Abstract

The globalized era of twenty-first century is witnessing a drastic decline in moral and ethical standards in all spheres of life, including economics. This deterioration in moral standards is all pervasive and has assumed a cross-national and multi-disciplinary character. The article 'Ethics and Global Finance' is an analysis of our financial system in the backdrop of the recent economic crisis. Going beyond the economic dimensions, an earnest attempt has been made to bring out the reasons that emanated from the failing moral and ethical standards that finally culminated in the Great Economic Crisis of 2007-2008. It analyzes why unlike the other sectors of the economy, a deterioration of ethical behaviour in our financial transactions has to be viewed with much more vigilance. There are certain suggestive measures added towards the end of the article to improve the present financial scenario.

Key Words: Free-market ideology, shadow banking, financial sector, social contract, money laundering, fundamental reboot, ethical finance

1. Introduction

In the backdrop of the recent economic turmoil that the world has witnessed, there is an increasing urge among many economists worldwide to have a serious reconsideration of what went wrong in our economic system. The instances of outrageous financial irregularities that occurred in the world economy in general and the Western world in particular are only evidences of a deep seated malaise afflicting the world economy. Economists of various shades generally tend to attribute these ill effects to the reign of 'free-market ideology' that features 1) Lack of adequate economic regulation or oversight and 2) Inter linkage of various economies through the process of globalization that has inextricably connected the fortunes of one nation with that of others.

This tendency is not new, as during the period preceding the crisis, many eminent scholars across disciplines had warned regarding the imminent economic disaster in the face of world's mad drive behind the new trends of globalization and economic integration. For example, Susan

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Strange, Professor of International Relations at the London School of Economics coined the phrase 'casino capitalism.' She cautioned in the 1980s how the speed at which markets work, combined with their near-universal reach could result in levels of global volatility that has never been seen before.[1] Similarly Joseph E. Stiglitz, in his *The Roaring Nineties*[2] made an in-depth analysis of the boom and bust of the 1990s. Presented from an insider's point of view, firstly as chair of President Clinton's Council of Economic Advisors, and later as chief economist of the World Bank, he continued his argument on how misplaced faith in free-market ideology led to the global economic crisis.

To hold the above stated factors as the sole culprits for today's crisis would be to overlook, however, a much more fundamental problem that has gripped global economy – the deterioration of moral and ethical standards in economic and financial transactions. It is true that regulation was more lax than it should have been in many nations, especially in the USA, where the financial contagion broke out. The root cause of the problem however was not confined to a mere failure of regulation, but without a failure of personal and business ethics, it would have constituted only a technical failure that could be easily mended. The crisis was far deeper and extensive. Also during the period preceding the crisis, free markets were increasingly perceived as powerful engines providing increased prosperity to millions of people around the world. Again, there was nothing wrong in such a perception, but what we failed to comprehend is that we were experiencing only a grossly distorted form of free markets in which individual greed demolished principles of business. "There exists a world of difference between genuinely free markets and their counterfeit form – the laissez faire jungle, in which self-interest mutates into the degraded forms of greed and selfishness."[3] The economic actors in Adam Smith's free-market were indeed driven by self-interests. An aggregation of such self-motivated pursuits finally resulted in the common good. Adam Smith, however never envisaged a market devoid of ethics. Himself being a Professor of Moral Philosophy at the University of Glasgow, Smith was aware of the significance of ethical behaviour in the smooth functioning of a free market. The version of the free market that exist today is infested with cheating, misrepresentation of facts, distortion of information and oppression of various forms, that makes it unworthy to be called a genuinely free market. We have many notorious examples of firms with falsified records, rating agencies and reporting agencies meddling with facts and financial institutions that feed on unaccounted money. All these market distorting forces are ultimately the products of a failure of ethics. The 'world of difference' that exists between Smith's free market and today's free market is the grossly differing ethical orientations they possess. It is therefore high time that we realize the interconnections of ethics and the world of finance.

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[1] Ritu Jain, "Ethics and Finance: Time for Introspection," *The Economic Times Blogs*, 16 November 2009) <http://www.blogs.economictimes.indiatimes.com> (3 June 2013).

[2] Joseph E.. Stiglitz, *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, New York: W. W. Norton and Company, 2003.

[3] Simon Longstaff A. O., "Ethics and the Global Financial Crisis," *Living Ethics* 74 (2008), <http://www.ethics. org.au> (2 June 2013)

2. What Is Global Finance?

The term global finance refers to the aggregation of institutions, legal agreements, and various economic actors who have a bearing on the global financial transactions. It also includes in its ambit a number of regulatory frameworks set up to oversee such global transactions. The aim of global finance is to enable a smooth flow of funds from capital abundant units to those lacking it, for the purpose of investment and trade. The World Health Organization defines global financial system as

> ... various official and legal arrangements that govern international financial flows in the form of loan investment, payments for goods and services, interest and profit remittances. The main elements are the surveillance and monitoring of economic and financial stability and provision of multilateral finance to countries with balance of payments difficulties. The organization at the center of the system is the International Monetary Fund (IMF), which has the mandate to ensure its effective running.[4]

This definition further extends global finance to the context of international trade and includes all kinds of financial flows – not just loans, but profits and interests that flow across different nations. A major emphasis has been laid on the role of various institutions in facilitating international trade flows and in providing a congenial financial environment, especially the IMF. Thus the global financial system consists of regulated entities as well as their regulators all operating on a supranational level. The system also includes some lightly regulated or non-regulated entities (consisting of hedge funds, private equity and bank sponsored off-balance-sheet vehicles used for investments in financial markets). This is usually referred to as the 'shadow banking' system and it usually evades the supervisory glance of the regulators. In other words it tends to operate as a parallel system to the formal, regulated financial market.

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[4] "Trade, Foreign Policy, Diplomacy and Health" <www.who.int/trade/en> (13 June 2013).

3. Ethics and the World of Finance

Ethics means a set of principles that is accepted as morally correct. Ethical behaviour refers to aligning one's actions to these acceptable norms. When we consider the relationship between ethics and global finance, the questions that usually arise are: Is the financial sector different from other fields by way of ethical dimensions? Is there a greater opportunity or larger temptation in the world of finance to deviate from the straight and narrow path? Is it true that people with poorer ethical standards and values succeed in the field of finance?

To the first question as to whether financial sector is different from other sectors in way of ethical dimensions, the answer could be – 'not entirely,' except for the financial dimension it possess. Our society's very existence depends, however, on mutual trust and morality. From the proposed theory of 'social contract' that explains the origins of our social existence to all other sociological theories that examine the credentials of our social institutions have mutual trust as the underlying factor. Let it be the case of individual members willingly surrendering their sovereignty to a supreme authority in the trust that they will get their genuine share of liberty without the fear of oppression, or the case of a much more micro level contract, say for example a social institution like marriage, where two individuals willingly agree to live together in the hope that it will provide them with a more fulfilling life, the one factor that ensure continuance of all these social institutions is trust. Similar is the case with our financial system – at its heart it is all about trust. Take for example the case of a financial activity like banking. The word 'credit' which is so fundamental in the banking sector is itself derived from the Latin word *credere*, meaning 'to believe.' Billions, indeed trillions of financial transactions take place every day, and all of these are based on trust. Without broad based trust and presumption of honest behaviour, it would not have been possible for the financial sector to grow to its present size and importance. The difference between the financial sector and others thus does not lie in the vitality of trust in their existence. This leads us to the second question under consideration. Is there a larger temptation to deviate from the narrow path of upright behaviour in the financial sector?

Money is required to satisfy the never-ending wants of individuals. Financial sector deals with the day to day transactions and handling of money of different volumes – starting from the small savings to huge investments worth billions of dollars. So there is a widespread perception that given a person's limited and fixed means of living and his insatiable wants, financial sector offers greater chances for an individual to deviate from the accepted ways of behaviour. The truth is that every individual faces the temptation to deviate from one's moral standards in day today life. D. Subbarao, the governor of the RBI, in his keynote address delivered at the conference on 'Ethics and World of Finance'[5] has dealt with this question in detail. He argues that a strict categorization of people into honest and dishonest persons is not possible in real life. There is always the chance for a moral person to turn around and exhibit dishonest behaviour with a change in circumstances. This being the truth concerning human nature, it can only be construed that an individual's ethical disposition depends largely on the power of the context. Subbarao therefore states that individuals working in the financial sector are inherently not less ethical. Given the environment of the financial sector, however, individuals are more susceptible to facing increased frequencies of tempting instants. The one thing that brings the financial sector under the urgent scrutiny of morality is the fact that it handles the lifelong savings of millions of investors across the world. When the goal of the financial sector insists on making more profit without evaluating ethically the means, it calls into question the enormous faith that these millions of investors has placed on the system. The allure of success that such a morally deteriorated financial system offers may tempt an increasing number of individuals to resort to unfair means. The recent case of Satyam which allegedly window dressed the company accounts for over ten years, betraying the trust of all its stakeholders is one such instance.

The third concern raised about financial sector is whether people with poorer ethical standards tend to succeed more than the upright ones in the world of finance. There is no place for such a concern as we have seen time and again, dishonest individuals and schemes that breaches trust tends to implode and come crashing down. They may enjoy the veil of glory for some time, but it will never last as may be the case of Bernie Madoff, the former head of the New York Stock Exchange, whose Ponzi scheme robbed millions of innocent investors of their money and looted treasuries of charitable institutions involved in building social capital. Indeed there might be many cases that might have gone unnoticed, where individuals have made their fortunes by resorting to unfair means. But the point to be noted is that there are many more cases of genuine individuals and companies that have stuck close to the path of morality without which there would have been no financial sector remaining for these unscrupulous individuals to try their luck.

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[5] Duvvuri Subbarao, "Ethics and the World of Finance," Keynote Address at the Conference on *Ethics and the World of Finance* organized by Sri Sathya Sai University, Prasanthi Nilayam, Andhra Pradesh on 28 August 2009 <http://www.rbi.org.in> (10 June 2013).

4. Deterioration of Ethics in Global Financial Standards

We can attempt to understand how the failure of ethical standards hastened the onset of a total financial mess in the world economic arena. For this let us analyze the prevalent tendencies that dominate the world of business and finance during our times.

First of all, the very structure of the global financial pyramid is defective. If we analyse the distribution of wealth in our global financial system we can find that it possesses an inverted pyramidal structure. According to a study by Boston Consulting Group, the wealthiest one percent now own 39 percent of all the wealth in the world. Meanwhile, the bottom 50 percent only own one percent of all the wealth in the world combined. This means that the global financial system has been designed to funnel wealth to the very top, and the gap between the wealthy and the poor continues to expand at a frightening pace.[6] Now this is a faulty arrangement as it creates a serious disruption in the functioning of a genuine free market in the world of finance. Y. V. Reddy, the former RBI Governor, in his lecture on "Network and Circuit-breakers," raises fundamental questions about the financial market structure.

> If there are only two rating agencies, what sort of a market is that for global finance; or if there are only two important news agencies which provide information for the whole of the financial sector, what sort of global market is that; and if there are 15 global institutions

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[6] Michael Snyder, "Top 1% Own 39% of All Global Wealth: Hoarding Soars as We Hurtle Toward Economic Oblivion" and "Who Controls the Money? An Unelected, Unaccountable Central Bank of the World Secretly Does," <http://www.economiccollapseblog.com> (13 June 2013).

> which control 70 to 80 per cent of the global finance and cross-border capital flows, are we sure that it is a real market.[7]

These questions raised by Reddy are in tune with the issue of the defective market structure that we are discussing. It calls into question the ethical foundations of our financial market super structure. With very few players no market in the world can be expected to perform correctly. This is one reason why our financial market has also failed. Just like wealth is concentrated in the hands of very few, the decision making power in the world of finance rests in the hands of a few institutions. This not only makes the decisions taken by them grossly inappropriate for regional financial planning, but also goes against the liberal principles of democracy and participative decision making for which the modern world stands for. Mr. Reddy's lecture also provided an insight to networks. He said that while in telecommunications and electricity we were able to recognize what a network means and therefore introduce circuit-breakers, something similar was not done in finance. As Reddy points out the global financial system can aptly be compared to a network in which various economic actors and institutions are so closely interconnected to each other. Whether it is good or bad, the effects of what happens in one unit are carried across the different units in a circuit. This explains the need for the setting up of a circuit-breaker in international finance. In the event of any disaster occurring to any individual unit, the defective unit alone can be isolated from the circuit network and thereby the disaster can be contained within the defective unit without affecting others. This will ensure the uninterrupted functioning of the world economy. It is the intellectual failure to realize the need of a circuit-breaker in global finance that has led to the spread of the recent economic contagion across the world.

A second defect of the prevailing financial market structure is its highly volatile nature. It has got its foundations based on top of a giant debt bubble. There is about 190 trillion dollars of debt in the world but global GDP is only about 70 trillion dollars.[8] This is in violation of the basic prudential economic norm that even individuals must keep in mind – never spend beyond one's means. The financial sector in effect was pumping money from the middle class and lower strata of the society and feeding the rich. The global elite have become forgetful of their larger social responsibility and have got themselves lost in the business of money making. In the hope of making quick profits and easy money they make investments in dubious business activities by borrowing money from the tax paying middle class and also by mobilizing the savings of the society at large. A vast system of debt instruments in the form of various kinds of derivatives started getting acceptance in the financial system. Banks also encouraged the investors by resorting to unfair methods like over leveraging, provision of easy conditions of credit and weak and fraudulent underwriting practices as witnessed in the US financial sector during the time of the crisis. This debt based culture undermines the stability of our financial system and is clearly a violation of ethical behaviour.

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[7] Y. V. Reddy, "Network and Circuit-Breakers," Lecture at the Conference on *Ethics and the World of Finance* on 28 August 2009 <http://www.rbi.org.in> (10 June 2013).

[8] Snyder, "Top 1% Own 39% of All Global Wealth," <http://www.economiccollapseblog.com> (23 June 2013).

A third disturbing tendency that has spread its roots in our financial system is the blind faith in competition. In a distorted free market economy, the corrupted market principle of 'maximum gains with minimum pains' hold its sway over economic actions. One notorious example is that of Raj Rajaratnam's who was prosecuted and imprisoned on charges of 'insider trading.' This case has acted as an eye opener to understand how rampant this problem is in the securities market. Much more alarming fact is that those in the securities business feel justified in using inside information because competition is so stiff. Assistant US attorney Reed Brodsky argued: "They know they are committing crimes, but it is OK because they need to beat competition, it is OK because they need to achieve the best, it is OK because it is really so bad. That was Mr. Rajaratnam's attitude." Federal Judge Richard Holwell concurred saying Rajaratnam's "crimes and the scope of his crimes reflect a virus in our business culture that needs to be eradicated."[9] The observation made by the Federal Judge is noteworthy as it points to the extent to which competition has made people blind to what is right. As per the final judgment, Mr. Rajaratnam received a tough sentence of 11 years imprisonment. The severity of the punishment, however, turned out to be much lesser than what the government had asked for. The prosecutors have indeed succeeded in setting an example to all those who easily tend to forsake the accepted norms of professional conduct for personal gains. The seriousness accorded to the case by the government and the severity of punishment that it stood for is also welcome, as it can be hoped to act as a deterrent to all others who are susceptible to committing such crimes in the future. The strict handling of such malpractices by the government and the legal system will help improve the ethical conduct in the world of finance. It is the same mad spirit of competition that led the financial institutions to numerous innovations in the form of new financial derivatives. These financial innovations led to the increasing levels of complexity in the financial sector, which the existing regulatory framework was unable to handle. The changing nature of the role of financial institutions required imminent reforms in the system of regulation, the failure of which hastened the economic downturn in the US.

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[9] Carl Hausman, "Financial Ethics Stories Top Global News," Ethics News Line, Institute for Global Ethics, 17 October 2011, <http://www.globalethic.org.newsline> (11 June 2013).

Failure to resist the temptation of greed is the fourth problem afflicting our society at large and financial sector in particular. Many a time self-interest morphs into greed and selfishness. Financial entities like banks have not been able to resist the temptation of greed. This became evident in the recent 'sub-prime mortgage crisis' in the US. The 'Libor scandal' that raged in Britain involving Barclays Bank and others is yet another testimony for the 'culture of insatiable greed' that has cast its spell over the behaviour of economic units. The HSBC Group Chairman, Stephen Green, in his book, *Good Value: Reflections on Money, Morality and Uncertain World* reflects on how the human desires for exploration and exchange led us to a globalized economy and how the greedy focus on short term by many financial services companies led up to the financial crisis.[10]

In India, the scandals like the 'telecom spectrum auctions,' 'dubious coal block allocations,' etc. unravels the declining morality in the field of public finance that is slowly building up its base over the growing political-criminal-bureaucrat nexus. Several other misdemeanours on the part of senior executives, financial investment industries, real estate agents have all been reported across the world involving the loss of billions of dollars of honest taxpayers' money and illegal aggrandizements of corrupt financial executives. Equally distressing is the fact that international rating agencies shamelessly colluded with perpetrators of financial fraud. All these demonstrated the vicious hold of greed over individuals and organizations that eventually led to the destabilization of the world economy. This deterioration of morality will have detrimental effects not only in the financial sector, but also in every field of human transactions due to the fundamentality of financial sector as it possesses intricate social, political and administrative relationships. Any disturbance in financial sector is bound to affect all the other sectors of human existence.

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[10] Jain, "Ethics and Finance," <http://www.blogs.economictimes.indiatimes. com> (23 June 2013).

Fifthly, there are certain obvious categories of international finance that raise ethical questions. One is the existence of tax havens where criminals and otherwise legitimate businesses can evade domestic taxes. The second is the practice – in these havens or elsewhere – of "money laundering," where ill-gotten gains are transformed into innocent-looking bank deposits. The age-old banking practice of not asking too many questions about the source of deposits, whether they are being elaborately "laundered" or merely kept in covert accounts is yet another practice that requires a serious reconsideration.[11] The Swiss banks giving sanctuary to Nazi funds before and after the Second World War, the scandal of Russian mafia money that came up at a select gathering of international bankers in the early 1990s after the collapse of the Soviet Union are all insidious precedents in this regard. Even today the prevalence of 'bearer bonds' in the international euro bond market, certain Swiss bank accounts that conceals the identity of the owners, etc., will prove helpful to those for whom anonymity is a great attraction. We must not neglect the fact that these sources of finance have also got a great deal in help breeding terrorism that casts its shadow of fear all over the globe.

Secrecy and unaccountability in controlling global finance is yet another problem faced by global finance. An immensely powerful international organization called the Bank for International Settlements is in control of global finance. It is the central bank of central banks. It is located in Basel, Switzerland, but it also has branches in Hong Kong and Mexico City. It is essentially an unelected, unaccountable central bank of the world that has complete immunity from taxation and from national laws. The Bank for International Settlements was used to launder money for the Nazis during World War II, but these days the main purpose of the BIS is to guide and direct the centrally-planned global financial system. Today, 58 global central banks belong to the BIS, and it has far more power over every economy's performance. Every two months, the central bankers of the world gather in Basel for the 'Global Economy Meeting.'[12] During those meetings, decisions are made which affect the lives and fortunes of millions of people, and yet many are unaware of the existence of such a body. The stakeholders do not have much say on the course of its actions. It is therefore imperative that we get people educated about what this organization is and where it plans to take the global economy.

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[11] William Keegan, "The Ethics of International Finance," *Guardian* (26 September 2001) <http://EzineArticles.com> (11 June 2013).

[12] Snyder, "Top 1% Own 39% of All Global Wealth," <http://www.economiccollapseblog.com> (23 June 2013).

Finally, the culture of consumerism that we exhibit adversely affects all sectors of society, including finance. Economics is the science that aims to maximize human welfare and deals with such activities as production, distribution and consumption of goods and services which are required for human wellbeing. In the recent speech given to the four newly appointed ambassadors to the Vatican, Pope Francis stated that the root cause of today's economic and social troubles is that policies and actions stem from a gravely deficient human perspective which reduces man to one of his needs alone, namely 'consumption.' We have begun this 'culture of disposal,' where human beings themselves are nowadays considered as consumer goods which can be used and thrown away.[13]

5. Suggestive Measures

If we earnestly desire to debug our economic system of all its ills, we have to initiate a fundamental review of our institutions – what a recent gathering of the World Economic Forum's Global Agenda Councils called a 'fundamental reboot.'[14] Since financial sector is only a reflection of the larger society, some solutions lie connected with the reforms in other sectors as well. What we need is a truly alternative economic model that would work better than the traditional one, not only from the social and moral perspectives but from an economic one too. For this we can adopt the following suggestive measures.

1. An effective system of regulation can do a great deal in restoring some ethics back into our financial systems. Such prudent regulations have helped to enhance the resilient nature of many developing economies of the East, including India, as witnessed in the aftermath of the global financial meltdown. Lack of adequate economic regulation or oversight means a new, invisible and at times virtual, tyranny that unilaterally imposes its own laws and rules is established.[15] So it is high time that we install an effective surveillance mechanism that gives sufficient space for transparency and puts a cap on schemes that create perverse incentives to

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[13] Carol Glatz, "Pope Calls for Global, Ethical Finance Reform, End to Cult of Money," *Catholic News Service*, < http://www.catholicnews.com> (May 2013).

[14] Simon Longstaff, "Ethics and the Global Financial Crisis," *Living Ethics* 74 (2008), <http://www.ethics. org.au> (21 June 2013).

[15] Glatz, "Pope Calls for Global, Ethical Finance Reform."

cheat and take risks at others' expense. In his *Globalization and Its Discontents*, Nobel laureate Joseph E. Stiglitz shows that governments can improve the outcome by well-chosen interventions.[16] Stiglitz argues that when families and firms seek to buy too little compared to what the economy can produce, governments can fight recessions and depressions by using expansionary monetary and fiscal policies to spur the demand for goods and services. At the microeconomic level, governments can regulate banks and other financial institutions to keep them sound. They can also use tax policy to steer investment into more productive industries and trade policies to allow new industries to mature to the point at which they can survive foreign competition. And governments can use a variety of devices, ranging from job creation to manpower training to welfare assistance, to put unemployed labour back to work and cushion human hardship. Of course, there is need for a system of governance managed by individuals with high moral and ethical standards. This makes it essential to test the ethical orientation of prospective bureaucratic candidates at the stage of recruitment itself. A system of reforms in administration and governance is inevitably linked to the successful functioning of the financial sector.

2. Our enthusiasm to set up an effective regulatory framework is indeed essential. We should however avoid the folly of thinking that all risks can be eliminated by creating a culture of compliance in which no person can do anything wrong. Without understanding this fact if we try to build a strict environment operating as per the dictates of a rule book, the unintended consequence will be that no person will be able to choose; they will simply comply. The result will be a progressive loss of capacity to make responsible decisions. This will lead to a steep increase in systemic risk as we move further into a world in which individuals will think nothing is wrong unless it is proscribed by law and will tend to view every loophole as an opportunity for gain. Hence we should not choke the system with too many regulations in a manner that hinders its efficient functioning. What we need is an optimally balanced regulatory framework that provides sufficient space for discretion.

3. Most importantly we require an ethical financial reform which will make people a priority in all its policies and actions and take into account the importance of ethics and solidarity. We have seen how gap between the rich and the poor is ever widening in the present state of economic

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[16] Joseph E. Stiglitz, *Globalization and Its Discontents*, New York: W. W. Norton & Company, Inc., 2003, 218.

progress and development. This contrast of inequality must eventually be resolved and the institutional and other barriers that hinder the creation of a level playing field must be critically reviewed for reforms. Economic and social concerns must be brought back together in a healthy, harmonious relationship. For this a more inter-disciplinary approach should be adopted. Economics should not get itself constricted to the narrow 'science of wealth' definition alone. Instead it should also analyse how this wealth can be used for the betterment of society. Thus we can bridge *homo economicus* with *homo ethicus*.

4. Measures to enhance ethical finance like the revision of the Basel accord, reforming IMF, reduction of financial derivatives, closure of tax havens, setting up an international regulatory framework for banks equipped with authority and jurisdiction to penalize the erring banks and to ensure clean sources of money that gets deposited with the banks need to be put in place. Very often the people think of themselves as victims of crisis but fail to understand they are also accomplices of crisis. It is their money deposited with various financial institutions that faces the risk of ending up in tax havens or in the creation of weapons. People should learn how through ethical finance and responsible investment practices they can boost fair trade and development through whatever little savings they make. For example they can boost socially desirable and development oriented projects by investing in schemes that promote clean energy, energy conservation, infrastructural development, biological agriculture, etc. There is the problem of long gestation period involved in such schemes and as such the benefits and returns may seem rather less lucrative in the short run. In the long run, however, they can eventually influence the choices made in the financial world. They should know that in this globalized era they have got their share in shaping a just and fair global economic system and need no longer remain as silent spectators.

5. Adequate care must be taken to ensure that the young growing generation is not treading in the same paths of blind competition, selfishness and greed that have corrupted the actions of the present generation. For this, our education system should be value focussed so that the young minds are nurtured with just and humane values and they grow as socially responsible individuals capable of holding the reigns that will lead the world to a bright future. Let them understand that means are equally important as ends and that true success lies not in amassing wealth but in ensuring that everyone gets his due share according to his efforts. The analysis of Global Financial Crisis should enable them to be aware of

the dire consequences of living in a world devoid of ethics. As Subbarao argues, financial sector after all, is a reflection of the society in which it operates. He says that the approach to bringing ethical values into finance has to begin not by special efforts to enforce or regulate ethical standards in finance but by fostering a value system in society at large.[17]

6. Conclusion

A comprehensive set of reforms have to be adopted by analysing our present economic system and social institutions in the light of its lost ethical base if we intend to create an ergonomic design which will enable every individual to attain her full potential. Though there are no technical barriers to the implementation of these corrective measures, people in power and authority lack the will to get them implemented. The only way forward is therefore to put pressure on the government and the political leadership to reform the financial system. Various NGOs and pressure groups who are genuinely interested in world welfare have already started working in this direction. They create awareness among people through discussions and influence their opinion. This is exactly what we need to do to if we want to transform the masses into agents of change. As we have analysed in detail, the recent crises that the world has experienced, and all the turmoil in the financial sector, are only pointers to the deep seated malaise that has afflicted our society – the deterioration of moral and ethical standards. That is why we should not just stop by a mere recoup of our economic health. Instead the reforms should acquire multi-disciplinary character, transcending the boundaries of individual nations. By shedding the erstwhile narrow and fragmented thinking pattern that we have followed so far and by adopting a combined effort coupled with prudential planning, we indeed can boost our society's overall recovery. Let the global financial meltdown at the dawn of the twenty-first century, be an eye-opener for the financial world to re-inject the systems with their lost ethics.

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[17] Subbarao, "Ethics and the World of Finance," <http://www.rbi.org.in> (10 June 2013).

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IMPINGEMENTS IN CAPITALIST ECONOMY
Decoding an Obscure Factor in Ethical Analysis

Ferdinand D. Dagmang[◆]

Abstract

Capitalism is based on the core principles of private property/self-interest, capital/profit-making and labour, and liberal democracy. Such principles have generated standard economic practices; fields for management, production, and consumption and durable institutions. Through time, these practices, fields, and institutions have impinged on people's homes, neighbourhood, villages, and nations. Using the theory of *impingements*, this study uncovers the insidious ways capitalism has impacted on life and points out the analytic potential of impingements in the following: a) reconnecting the private-public disconnect in a world pervaded by capitalism; b) internalizing what has been considered as externalities by economics; c) tracing the psycho-neurological genesis of impingements; and d) tracking down the interlocking development of capitalist institutions and persons. These approaches are meant to aid and expand the ethical evaluation of capitalist actions and structures, leading toward proposals for the ethical solutions to some problems unearthed by the concept of impingements.

Keywords: impingements, economic externalities, rational/affectional principles, private/public dichotomy, care and solidarity

1. Introduction

A capitalist economy is built on the core principles of private property/self-interest, capital/profit-making and labour, and liberal democracy. Such principles, with their corresponding axioms, have established standard economic practices; fields for management, production, and consumption and durable institutions. Those capitalist

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practices, fields, and institutions have impinged, through time, on the home, neighbourhood, villages, and nations. Negative impingements of standard capitalist practices on people and places are plenty (like social anomie, psychical and physical debilities, socio-cultural disintegrations, cultural subjugation, and environmental degradation). These have been studied from various angles by prominent authors and critical theorists, offering valuable insights about the modern economy and theoretical and practical ways of solving its fundamental contradictions.[1] In this article, using the theory of impingements, I will uncover what is not so clear in the ways capitalist economy has impacted on life. I shall point out four main ways of unpacking the analytic potential of impingements: 1) reconnecting the private-public disconnect in a world pervaded by capitalism; 2) internalizing what has been considered as externalities by economics; 3) tracing the psycho-neurological genesis of impingements; and 4) tracking down the interlocking development of capitalist institutions and persons. These approaches are meant to aid and expand the ethical evaluation of capitalist actions and structures. Thus, this contribution in analysis is hoped to lead towards proposals for the ethical solutions to some problems unearthed by the concept of impingements.

2. Impingements

We are informed by the first and second laws of thermodynamics that in every expense of work within a system, energy is not destroyed (or created) but only converted into another state or form. Within a closed system, this conversion into another form of energy may be viewed as a conversion into an acceptable, thus tolerable, form of energy. If, however, we are dealing with two different systems that are entangled with each other, the work expenditures in one system could produce "heat conversions and transfers" which may not be acceptable, thus intolerable, to the other system. This dynamic transfer of converted energy or heat may be "normal" in the first system, but "abnormally" impacts upon the other; thus, the latter system could experience negative *impingements*. The factory system, for example, has impinged upon the natural environmental system (by treating it as source and sink), producing negative or unacceptable consequences (usually referred to as unintended consequence or externalities[2] – as external to human intentions or plans).

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[1] Peter H. Sedgwick, *The Market Economy and Christian Ethics*, Cambridge: Cambridge University Press, 1999.

'*Impingements*' is a term used in developmental psychology to refer to "imperfections in mothering."[3] In this article, I will apply this concept beyond the context of mothering and use it to refer to broad/deep-impact and high-context imperfections in the management of human affairs by "fathers", mainly *public* affairs; hence, *impingements* could also be "imperfections in fathering" as this "fathering" dimension is usually linked to and expressed through the processes and channels involved in the management of the political economy. Thus, it refers not only to imperfections due to lack of individual insight, neglect, insensitivity, narrow-mindedness, hardened conscience, "narrowing of cognitive map," but also to "normal" predispositions and behaviour, as these are embedded in and constrained by economic, political, and cultural systems-structures.[4]

My use of the term also implicates the socio-cultural matrix as enabling, inhibiting, or disabling factors of disposition and behaviour, producing intended as well as unintended effects that impact on homes and villages, environment, and the deep human epigenetic materials. Thus, *impingements*, as imperfection in management, emphasizes not only the mediated but also the mediating character of behaviour – it also mediates socio-cultural elements and their predictable and unpredictable effects.

This broadened meaning of *impingements* calls to mind the over-all effects of behaviour. These effects are not necessarily under the control of an individual as one's actions are also enlivened by broad socio-cultural processes intersected by individual intentions. Whether one likes it or not, multiple effects of pre-established processes are reproduced every time an individual acts or socializes. Action is thus understood to be an element within systems and structures that provide channels and pathways which are older, more enduring, and stable than individuals.[5]

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[2] Albino Barrera, *Economic Compulsion and Christian Ethics*, Cambridge: Cambridge University Press, 2005, 27-35.

[3] John B. Arden and Lloyd Linford, *Brain-Based Therapy with Children and Adolescents: Evidence-Based Treatment for Everyday Practice*, Hoboken, New Jersey: Wiley & Sons, Inc., 2009, 44-45; see also 66-69.

[4] See the notion of "bounded rationality" in Shaun Hargreaves Heap, *Rationality in Economics*, New York: Basil Blackwell, 1989, 116-147.

[5] See A. Reckwitz, "Toward a Theory of Social Practices: A Development in Culturalist Theorizing," *European Journal of Social Theory* 5, 2, 243-263.

3. Reconnecting the Private-Public Disconnections

The traditional meaning of mothering has been identified with caring of children and managing the home; while fathering is another kind of becoming, commonly known as 'breadwinning'. In this distinction between the two ways of becoming lies the original cause of separation (an ancient mode of management) of the private and public spheres. This separation has become a feature of today's worlds pervaded by the capitalist mode of economic management, production, and consumption. In principle, this state of separation is contained in every form of negative impingements, reflecting the division of labour between private care/affection and public management/reason.

Nevertheless, mothers who are preoccupied by private/domestic concerns are no longer alien to a public occupation which consists of pursuits of opportunities and other stakes in the various fields of modern economy. Providing for the family's financial needs through a public occupation, though identified with the male, is no longer a masculine prerogative. Mothers already occupy jobs outside the home, a development that has transformed the face of the public since the onset of modernity. However, their presence in the public realm does not translate into radical transformations of the pre-established male/female domestic division of labour (they may have salaried jobs, but they still manage the home, while fathers reap the benefits of getting an additional subsidy from their public occupation) or the overhaul of public economy in terms of care and affection (a bank manager may be a mother, but the demands of commerce will prevent her from applying care and nurture to investigate the credit capacity of a loan applicant).

The effects of the imperfections in the private/public division of labour are nonetheless strictly attributed to their immediate managers and normally restricted within their respective domains. The failures in caring are to be accounted for against the mother and the failures in breadwinning (and imposing strict discipline) against the father. Neighbours neither frown upon the father if the dirty dishes and linen are scattered around the house nor blame the mother if income is lower than expected. Neighbour's accounting tend to be confined to the standards and constraints set by culture with regard to the male public role and female domestic role.

There is, however, a feature of male role that goes with breadwinning, that of ruling the public economy (in the same way that the homemaking role assumes the position of the mother as queen of the private economy). From the start of the Industrial Revolution in 1750's in

Manchester, England, the male has already taken a front seat for himself: as manager of his own public affairs. Thus, we have a picture of the male who takes upon himself the responsibility of managing the affairs of the world, a world bigger than that of the wife's domestic affairs.

What has become problematic is that the male-managed economic public turns out to be more complex, dominant, and pervasive in its effects while the domestic private is a subordinated family sphere with little impact on the shaping of public economics. Thus, the standards set by fathering in the public tend to impinge on the realm more properly identified with the mother; but the standards set by mothering are less likely acknowledged in the public realm. Let me illustrate.

Home is where family relations are taken for granted, where more warm dealings would define routines while the modern workplace/public realm tends to be seen as a domain managed by a means-end kind of reasoning,[6] where everyone is expected to act professionally, that is, where kinship or friendship may be set aside for a more efficient and consistent productivity. The affectional principles of compassion, forgiveness, and care for the weak are, in general, the foundational principles of the home. The public economic realm, on the other hand, is founded on utility, justice, or rights, principles which are set in the foundational precept of democracy wherein every question or issue is to be resolved through discussion or public consultation among interested parties. Questions that implicate the home pass through the public forum.

Economic management that called for a more instrumental reasoning engendered economic principles that consistently push for market productivity, efficiency, and progress. This kind of forward-looking management has impinged on home life, most especially against the vulnerable members of society: children, the elderly, the uneducated and others who are similarly exposed to risks because of lack of capacity or resources. Wages set by law, for example, are difficult to adjust in favour of labour even if it is not consonant with the high cost of living; private property acquisition is generally based on fair exchange which leaves millions of people landless because they lack the financial capacity to acquire land; and food sufficiency is difficult for the poor because of the market's strict quid pro quo principle. Thus, if thoroughly applied, instrumental reasoning would undermine homes of the vulnerable even if these are founded on the mother's care, forgiveness, and compassion.

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[6] Means-end reasoning is also referred to as instrumental reasoning. Martin Heidegger, Max Horkheimer, and Jürgen Habermas are few of the major philosophers who offered critiques of instrumental rationality.

The affectional principles customarily identified with the home and mothering role have not been set as organizational and operational principles for the modern capitalist economy. Thus, poverty, landlessness, and illiteracy are also issues that could be understood in terms of the impingements of economic principles equally imposed on all citizens; such issues are no longer just viewed in terms of unequal development between classes but also in terms of weak-application of the principles of compassion and care. We say: *there is no such thing as free lunch*, even if people are already starving. Interest on debts cannot just be written off – not all are members of JAK Members Bank[7]; exclusion of some citizens from some services may have to continue to ensure profitability; and some asymmetrical transactions between the poor and the moneyed (in cases of predatory lending or usury) may have to be tolerated for the survival of the poor.

It has become customary to blame the mother for deficits in caring; but, the negative effects of the public sphere (where fathers are) on private domains (like intimacy and sexuality) are usually obscure and thus less accounted for except by experts or social scientists. Unless the less-articulated impingements of public-fathering is recognized, private problems are less likely to implicate their public connections. Right thinking and action would need a clearer hold on the need to interconnect the private and the public, more especially if we regard means-end reasoning and caring deficit as matters of public concern.

We may thus have to expand our analysis of home economics and world economy through their invisible connections that bring about visible and less-visible impingements; and then see for ourselves how efforts to lessen instrumental reasoning and increasing the care principle in public could actually produce some good results. Care does have a role in boardrooms which could bring about changes in the way managers think about collaterals or interests on loans. Alternative practices have been actually realized when care and concern for the poor became the main factor in the economic equation that runs Grameen Bank[8] or Kiva

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[7] The JAK Members Bank, or JAK Medlemsbank, is a cooperative, member-owned financial institution based in Sweden. Its loans are financed solely by members' savings; thus, the bank's activities occur outside of the capital market.

[8] Grameen Bank is also known as a bank for the poor, especially women. It is a Nobel Peace Prize winning non-profit, microfinance organization and community development bank that was started in Bangladesh by Professor Muhammad Yunus.

Microfunds[9] if this pattern in economic practice becomes more widespread, then the public realm could be expected to be more positively impinging on the domestic or village front.

4. Internalizing Externalities

Economic management of production and consumption have their unintended negative effects but these are usually treated by economic theories as *externalities*, that is, *not part* of the *intended* output. Unless pressured or not unaware of their responsibility, fathers-managers will not treat such externalities as their immediate concern; even if they are cognizant of the double-effect nature of economic activities. Such pre-emptive tactic to externalize is one major reason why the visible negative by-products of production and consumption are difficult to manage (like mine tailings, food industry chemicals, or jet plane pollution). To pull managers back into their responsibility, they must acknowledge the unintended as integral part of the intended.

Modern industry and commerce have regarded the unintended negative consequences of production and consumption as belonging to externalities and not necessarily impingements. But our present discussion must *immediately* pull externalities towards the centre and make these as part of the internal talks since these belong to the histories and solidified ways of fathering. The extraction of fossil fuels, felling of trees, and mining of diamonds may have brought dividends to some but at the same time caused miseries to others; the mass production of electronics, textiles, food, medicines, chemicals, and the like, have brought not only convenience to households but also pollution and degradation to both the natural ecology and bio-ecology.[10] Such negative effects are clearly difficult to imagine as "external" to economic activities.

Laws have been passed to bring about changes in the way manufacturers treat their by-products. Some have indeed responded with some measures of responsibility.[11] However, not all by-products are visible and predictably measurable in their "unintended" effects. Chemicals like nonylphenol, bisphenol A, and phthalates (ingredients in the manufacture of plastics, detergents, pesticides, and other packaging materials) have been shown by research to leach into edibles that trigger low fertility and feminization in males and breast cancer in females;[12] but few manufacturers are aware about such findings, especially those located in areas not immediately informed by scientific researches done in the more developed economies. And if others are aware of it, it would be extremely difficult to change their usual ways because of the popularity and widespread use of such products. Needless to say, the modern world is already dependent on their usage. It gives limited freedom or fewer options to consumers given fewer alternative approaches: one who avoids vegetables in cans lined with phthalates may opt to consume fresh vegetables; but such vegetables may have been applied with pesticides. And somebody who shuns away from plastics with chemicals on linings could use bottles; but it is difficult not to use detergents to wash these "alternative" containers.

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[9] Kiva Microfunds is a non-profit organization that allows people to lend money via the Internet to people in developing countries.

[10] Alexander G. Haslberger, ed., *Epigenetics and Human Health: Linking Hereditary, Environmental and Nutritional Aspects*, KGaA, Weinheim: Wiley-VCH Verlag GmbH & Co., 2010.

[11] See, the United Nations Framework Convention on Climate Change in the *Kyoto Protocol* of 1997 and *Copenhagen Accord* of 2009. See also Laszlo Zsolnai, et al., eds. *Ethical Prospects: Economy, Society and Environment*, Volume 1, Budapest: Springer, 2009.

"Externalities" are internal to the practices of fathering. No matter how theories separate the unintended from the intended, imperfections in the management of the public sphere include not only those things which they are able to control and predict but also those which result from their limited capacity to control and predict – resulting in some of the most destructive *hidden impacts* of production and consumption.[13]

While the *positive* consequences are not necessarily intended by and totally under the control of industry and commerce (low prices of goods and services, employment opportunities, and other trickle-down effects) these are still recognized (with enthusiasm) as part of the goods of capitalism; and market economists have tended to place the negative consequences of production and consumption as capital's technological (e.g., pollution and environmental degradation) and pecuniary (e.g., adjustment of prices or shutdowns of factories) externalities.[14] Even the definition of externalities has become stunted and limited to merely cover the immediate (not the more remote) unintended effects of technological and pecuniary decisions. The idea of externalities (of negative consequences) may indicate the wimps in those responsible for the fathering of the negative. They are proud of their products (and the income derived from such products), but turn their backs when notified of smelly and destructive by-products.

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[12] John A. McLachlan and Steven F. Arnold, "Environmental Estrogens," *American Scientist* 84 (September-October 1996), 453-461.

[13] Daniel Goleman, *Ecological Intelligence: How Knowing the Hidden Impacts of What We Buy Can Change Everything*, New York: Broadway Books-Random House, 2009. See also Slavoj Žižek, *Violence: Six Sideways Reflections*, New York: Picador, 2008.

[14] Barrera, *Economic Compulsion and Christian Ethics*, 27ff.

It is about time for economists to seriously rethink *externalities* in their accounting procedures, the way they acknowledge responsibility for the wear-and-tear of their equipment. If the State and civil society's concerned citizens have not chased them for their previous mistakes, the notion of green accounting, sustainable development, or carbon footprints would not have come about.[15] Economists should no longer wait to be accused of possessing mere means-end reasoning. A more socially and environmentally responsible and caring mindset would pre-empt the more destructive consequences of their projects and pursuits. They will have to abandon their view on externalities and consolidate impingements with capital expenditures. Economics would then be doing great service to humans and to the planet.

5. Psycho-Neuro-Aanalyzing Impingements

The common sense and binary kind of outlook on the world having a public/private, rational/affectional spheres may either be referred back to the biological male/female differences or associated with the observed differences in male and female roles. However, we could not just maintain that sex roles (not gender roles) are merely based on biological or genetic predispositions. We are informed by the more up-to-date research (on phylogeny) that genes too have been shaped by and, thus, behave according to historical development of cultures.[16] The male brain being primed for problem-solving and aggressive behaviour may have actually been shaped by the demands of a culture that reinforces those qualities in the males; the same way that a woman's brain circuits are disposed to conversation and relationship could be further fortified by cultural expectations about caring and mothering.[17] Knowing such deeper sources of dispositions would help to better understand why one-half of the world's population is more identified with many practices that negatively impinge on the world.

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[15] Gareth Edwards-Jones, *Ecological Economics: An Introduction*, Oxford: Blackwell Science, 2000.

[16] Dorothy Nelkin and M. Susan Lindee, *The DNA Mystique: The Gene as a Cultural Icon*, New York: W. H. Freeman and Co., 1995; Ruth Hubbard and Elijah Wald, *Exploding the Gene Myth*, Boston: Beacon Press, 1993.

Males – fathers and would-be fathers – have been cradled by mothers and would-be mothers. By some effects of genes, hormones, and culture – all interlocked in the ontogenetic and phylogenetic issues of natural and second-natural individual formation – males carry and internalize peculiarly male dispositions; dispositions which are impelled by genetic, epigenetic and hormonal factors (testosterone and adrenaline) ready to snap into the shared social dispositions "intended" for the males: rational, aggressive, adventurous, competitive, and conquering.

While mothers and would-be mothers have been forced to concentrate on tasks at home and nearby, fathers and would-be fathers have been impelled to go hunting, exploring, and mastering lands and colonizing other humans. Hundred-thousands of years of skills-development to ensure victories in conquests (and defenses) have insidiously imprinted in the male brain the more rational and less affectional dispositions – a disposition to be identified by later generations as "natural" to males and dictating some norms or standards of behaviour.

Hunting and warfare have demanded on the male the lesser connection to affections or to the heart-level principles of caring. "Male activities" demanded connection to the head-level principles more associated with the promise of success in male expeditions and projects in the public spheres. Fathering (as required by the father-role of breadwinner or defender of the tribe) required more deliberate thinking, compartmentalized and specialized low-context training, strict and rational use of space and time (monochronic), control or subordination of the more "female passions" like compassion, pity, or mercy, and development of the "male virtues" of prudence, moderation, or detachment. Some amount of ruthlessness, boldness, and unyielding purpose come and go with the movement of the hunter or warrior male. Mothering is an art more connected with the needs of infants and growing children; it presupposes the more delicate qualities of tenderness, kindness, sensitivity, resignation, understanding, and forgiveness. Thus, it needs or produces different sets of hormones: estrogen, progesterone, prolactin, and oxytocin. Those delicate qualities neither promote characters needed for the male who have come of age for hunting and warfare nor dovetail with characters already riddled by testosterone and adrenaline.[18]

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[17] Louann Brizendine, *The Female Brain*, New York: Broadway Books, 2006; Louann Brizendine, *The Male Brain*, New York: Broadway Books, 2010; Cynthia Darlington, *The Female Brain*, 2nd ed., Boca Raton: CRC Press, 2009.

The diminishing practice and incidence of actual hunting in the wild and colonization of peoples around the globe by dominant races and cultures have not removed the brain-imprints of hundred-thousand-years of male-experiences in world explorations and mastery over his rivals or competitors. Testosterone and adrenaline are still the main hormones presupposed by centers where driven males congregate in their pursuit and struggle for stakes. Females may have struggled recognition in the public sphere and, to some extent, may have succeeded in providing competition in some areas. It is, however, a different story when it comes to who rules and dominates the public. The prevailing institutions and pre-established practices still preserve the place of the male as the master in public.

The language of hunting and warfare proliferates in today's corporate world: killing the enemy-competitor, paralyzing the rivals, reinforcing labor forces, reserve-army of labor, arming with new products, barricading resources, defending property rights, deployment of aggressive commercials, alliances, etc. The market leader of the industry phase must be a relentless predator, merciless in competition and exploitative in targeting consumers. Today's info-productivity market leaders have become more wary of external and internal pressures and controls (against predatory and combative behaviour) and thus have become more "civilized," scientific, and "politically-correct;" that is, more discriminate, creative, versatile, and cunning in dealing with market forces. Liberalism has managed to insert and convert into knowledge (exploitation, versatility, science) and consensus process (democracy, election, discussion and legal battle), the drives to hunt and kill.

Capitalism is really an arena for the more modern and "normal" form of hunting, warfare, and colonization – all replete with laws, ethics, and appropriate "privatized" religious behaviour and sacred persons. Although capitalism is an entirely different "war game," it still calls for the "hot" qualities of males and the more "rational" (not affectional) procedures applicable to hunting and warfare. The rational, aggressive, adventurous, competitive, and conquering males have found their place in the age of hunting and colonization; such males will also find their niche in today's capitalist markets. Thus, fathering will be drawn into that niche and, in the process, interlocked in its practices, rules, and beliefs – making impingements part of the market's trinity of self-interest, profit-making/capital and labor, and liberal-democratic worldview.[19]

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[18] Michael Gurian, *The Wonder of Girls: Understanding the Hidden Nature of Our Daughters*, New York: Pocket Books. 2002; Michael Gurian, *The Wonder of Boys: What Parents, Mentors and Educators Can Do to Shape Boys into Exceptional Men*, New York: Penguin Group, 1997.

Nevertheless, people (most especially males) may become more self-critical and creative if they learn about the psycho-neurological bases and connections of impingements. They may see their places and roles in society in an ethical manner and hopefully, they could adjust themselves towards stakes and pursuits that would produce more positive impacts.

6. Interlocking Institutions-Persons

Persons are shaped through time by the culture that previous generations have constituted and handed down to succeeding generations. This means that market capitalism has produced citizens whose identities are resolved along the more familiar activities of paid employment, shopping, and consumption. Such activities make people study for years to acquire their degrees; earn money for needs and security, and consume daily necessities and goods that bestow some amount of social integration or distinction. Through such activities and in *longue durée*,[20] persons acquire identities that reflect the character of modern economy. In this sense, modern persons are also created in the image of modernity whose core is based on the axioms of private property/self-interest, capital and labour, and liberal-democracy. Impingements is thus very difficult to handle, because those who would want some change are themselves walking under the same skies and climate of capitalist economy.

Amidst environments where people pursue their goals and where they struggle for some place, individuals are expected to behave as educated and formed persons with skills and talents. They have to be ready for work and struggle. They have to face societies which previous generations of individuals have constituted. The societal forms are regarded to be adequate for subsequent generations of individuals who must be predisposed to search for security, comfort, success, distinction, recognition and fulfillment.

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[19] Ferdinand D. Dagmang, "Identities amidst Connections and Disconnections," *Hapag* 3/1-2 (2006), 53-103.

[20] *Longue durée* is an umbrella concept referring to historical time that is so slow and stable. It forms at the interface of the natural physical world and human social activity, something significant to the understanding of what is enduring in society and culture. See Fernand Braudel of Fernand Braudel, "*Histoire et sciences sociales: La longue durée*," *Annales E.S.C.*, 13, 4 (1958); Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*, vol. I, Berkeley: University of California Press, 1995, 23ff.

Most people, however, are no longer conscious of the fact that as soon as they are disposed towards modern/late-modern lifestyles and thus pushed to become "more intelligent, more responsible, driven adults," they have to be drawn away from their most "elementary" but treasured ways of finding comfort with their caring mothers/caregivers, leisure in child's play, warmth in their homes, security in togetherness, and peace in mutual support.[21] People have to become "real men," as in acting like men do in the pursuit of those goals offered by societies defined by male managers who are forced to get accustomed to abbreviated warm relations at home and prolonged work in the workplace. In modern/late-modern settings, people are generally expected to act like the qualified men who must struggle toward success which in turn is understood in terms of usefulness and productivity – also bases of power, wealth, and distinction. An unintended consequence, however, results: their rational pursuits and struggles could neither satisfy their deeper need for affection nor compensate for the absence of satisfaction afforded by the warmth of care from mothers, homes, and other intimacy-producing social bonds or solidarities. Because people are largely unconscious of this need-satisfaction imperative being anchored in Care, they continuously compound their problems by thinking that their pursuits and successes are their real sources of salvation. Their creations and the quest for their creations have become, at the same time, their regular sources of deprivations or troubles.

Nevertheless, people oftentimes realize that work unbalanced by leisure and home time, for example, is not good for them. However, in their search for leisure and joy for themselves and their families, they are still entangled by the ways of business and commerce. They are stimulated by the enticements of billboards and commercials. Their choices, wittingly or unwittingly, will be diverted into or targeted by the products and services offered as objects of fulfillment by businesses pursuing profit. In having integrated themselves into the market, people are entrenched and implicated into the rational pursuits of profits, which can only provide substitutes for people's search for peace and fulfillment in their lives. When people of modernity/late-modernity finally feel that they are "freed" from the bondage of alienating work and pre-modern lifestyles, they are consequently *recaptured* by the snares of the gratifying objects of commerce.[22]

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[21] Herb Goldberg, *The Hazards of Being Male*, New York: Signet, 1976; Anthony Giddens, *The Transformation of Intimacy: Sexuality, Love and Eroticism in Modern Societies*, Stanford, CA: Stanford University Press, 1992, 149-152; Luce Irigaray, *An Ethics of Sexual Difference*, trans. Carolyn Burke and Gillian C. Gill, London/NY: Continuum, 2004, 51-61.

Modernity/Late-modernity offers too many substitutes for or copies of the many forms of human bonding that people sorely miss. Their original desires, biologically and emotionally nurtured by the caring mother, have gradually transformed into autonomous desires looking for bonds, which can, in the meantime, no longer be commonly attached to mothers.[23] While the individual searches for those sorely missed feelings of care-satisfaction, countless objects are there to entice them, promising gratification. The individual, finally falling for one monetarized substitute/simulacrum, (e.g., signature jeans, Havaianas flip-flops, PSP, mobile phone, laptop, iPad, Facebook, DotA, LED TV, SUV, Rolex watch, golf clubs, false eyelashes, slim figure, firm abs, Boracay vacation, etc.) clings momentarily to it until another product is noticed, and so on and on; and thus the endless search for that which would satisfy a longing which can only be calmed down by the most sympathetic attention which only a caring person (mother, wife or partner) could give. The cycle of cathexis (the process of investment of mental or emotional energy in a person, object, or idea) will forever haunt people the more they forget the fact that only a kind of compassionate maternal care could provide the self in turmoil the sense of peace it needs. The world of men only intensifies that longing for what that world has constantly excluded or subordinated.

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[22] Take the case of "enjoyment" or "fun" in video games: "The problem with video games … is that they not only create tremendous arousal, increasing levels of dopamine and norepinephrine in the brain and levels of adrenaline in the blood, but they also require little or no physical exertion. This means that the increased levels of dopamine, norepinephrine, and adrenaline are not fully utilized during the game. Very often people who have played a video game walk away feeling nervous, tense, and irritable; their hands and legs literally shake. If they were to go out for a run, they would burn off the gas-pedal chemicals and feel fine again, but usually they try to reduce the stress caused by the excitement by eating or drinking foods that are rich in sugar... This lowers dopamine and norepinephrine and increases serotonin, allowing them some peace of mind and physical relaxation. They are literally medicating themselves with sugar in order to deal with the anxiety created by the dopamine. Yet the dopamine never really leaves the tissues and is simply waiting until some other form of arousal stimulates another round of excitement, anxiety, and stress. Many people – especially the young – are continually bouncing back and forth between arousal and satiation, between the 'fight-or-flight' response and the dreamy world of sugar- or drug-induced satiation. These heightened states of arousal and their concomitant levels of dopamine make dependence on sugar, refined foods, and drugs extremely tempting." Joel C. Robertson, with Tom Monte, *Natural Prozac: Learning to Release Your Body's Own Anti-Depressants*, New York: Harper Collins e-books, 2009, 49.

[23] Bruce Fink, *The Lacanian Subject: Between Language and Jouissance,* Princeton, New Jersey: Princeton University Press, 1995; Nancy Chodorow, *The Reproduction of Mothering*, Berkeley: University of California Press, 1978.

The world of modernity (with its principles, practices, and processes) should be the logical target of change if we hope to produce more lasting cures for our ills. Change may result through counter-practices (or alternative practices) that could deal with modernity's built ecologies, including its myth of progress, its fast-paced and utilitarian lifestyles, and its rules that engender a variety of death-dealing mechanisms (e.g., physiologic reactions to various stressors and alienating conditions that foster allergens, carcinogens, pathogens, etc.). No one, whether rich or poor, male or female, young or old, lay or cleric, may escape from them – conditions and mechanisms that also bring about spiritual malaise or negative predispositions; a situation which may be viewed as a common experience of iniquity; a power-sphere, a larger-than-human corrupting environment.

The question about work and consumption is the context in which ethics implicates the person whose identity is embedded in the place that produces both opportunities and disappointments. Every person must regard opportunities as opportunities for human flourishing; and every form of suffering as a chance to transform self or society for the better.

The home, the neighbourhood, and the village may be circumscribed by capitalism, inasmuch as these are also the sources of skills and the target of strategic marketing impulses. It is, however, encouraging that these places are also sources of alternative visions and lifestyles. This means that we can do something.

Alternative lifestyles suggest that there are roads less-travelled and these may lead to better worlds that put primacy on the whole human well-being and on the vulnerable members of society. Habits alternative to those peddled by today's commerce may be the source of redemption for multitudes of persons. Such habits may well be engendering alternative institutions and persons of tomorrow.

Some alternative practices illustrate what I have in mind: the Edible Schoolyard (a garden in Martin Luther King Middle School in Berkeley, California, established to promote healthy and organic eating and combat childhood obesity); Green Mountain Farm-to-School (a leader in the growing farm-to-school movement in Vermont promotes the health and wellbeing of Vermont's children, farms and communities by providing programs to connect schools and farms through food and education; alternative childbirth practices that encourage the husband to have more active part in his wife's child-bearing/birthing and Seasons of Life Women Health and Birth Center; alternative communities like the Awra Amba in Ethiopia, where work has transcended the gender, class, and religious divides; the Green Schools Bara in Madagascar; and many more.

7. Conclusion

We have seen the use of the concept of impingements to uncover some of the negative impacts of the capitalist economic arrangements, practices, and processes on persons, homes, communities, and the environment. We realize that lessening the scourging impact of shortcomings and avoiding more negative impingements is our responsibility. Some pro-active fathering and mothering will be necessary.

Profit-making, minimum-wage, and competition operate powerfully and on a male-public platform and backdrop. It would entail overhaul or removal of such platform and backdrop in order for care, solidarity, and mutuality to *take the stage and prevail.* Is this really possible? It is possible if business owners and consumers will agree to change or transform their platform and backdrop from one based on capital and market principles into one based on care and solidarity. Corporate systems could give way to practices which are more humanitarian and uplifting. Perhaps, the caring warmth of the feminine could lessen the power of the scalding qualities of the male-dominated systems.

If capitalists are open to suggestion, reorganization of experience or ways of understanding could result via the caring ways of perceiving, gathering, and processing of information. This process of reorganization may, however, only happen through actual involvement in an experiential process of reorganization (as seen through the setting-up of alternative lifestyles). The care-and-solidarity ways of organizing what has been organized by older means-end models may be unsettling, but the former will eventually become useful in further examining the quality of every capitalist knowledge or practice.

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ECONOMIC GROWTH AND THE IMPACT OF CHRISTIAN IDEAS IN POST-MAOIST CHINA

Stephan Rothlin[◆]

Abstract

China's growth strategy followed a standard, mechanistic recipe for catch-up growth that is relatively undisputed in mainstream Economics. However, the side effects of this growth, like environmental destruction, corruption and lack of transparency are now China's major problem. The moral wisdom, embedded in all major Chinese religions including Christianity hold some of the missing piece(s), required to make China's development model sustainable. Catholic Social Teaching could make relevant contributions to China and the wider Economics field. Similarly, the theological conception of Trinity is a perfect model of relationship and an alternative to an economic model which still seems to be defined on a narrow egocentric view on the "*Homo Economicus*."

Key Terms: Maoism, Great Leap Forward, Corruption, Pollution, Environment, Religions, Growth, Catholic, Trinity.

1. Introduction

Modern day China has undergone an unseen economic transition: from the darkest days of Communism/Maoism, when millions became victims of an economic policy that aimed to foster economic progress but caused chaos, China has gone to lifting millions out of poverty and becoming a global powerhouse. What is particularly noteworthy is that its achievements relied significantly on the singular focus of maintaining breathtakingly high economic growth rates. However, this transition has come at a price: widespread corruption and environmental destruction have made China's previous growth strategy unsustainable. China thus finds itself at the crossroads of its development: yet again, drastic change is needed in the

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way China defines and achieves growth and progress. This time, however, the answer is less obvious or probed. Indeed, the challenges faced are particularly tough for the Economics discipline: China's growth strategy followed a standard, mechanistic recipe for catch-up growth that is relatively undisputed in mainstream Economics. Furthermore, the ingredients of China's last transformation – capital accumulation, foreign direct investment and a pool of cheap labour – can all be measured and manipulated by the standard procedures of the discipline. However, the unintended side effects of this growth, such as environmental destruction, are now China's major problem. Whilst these harmful side effects extent be blamed on the national context and alteration of Economists' recommendation, it is nevertheless clear that Economics does not provide a sufficient remedy for China's current problems that have been aptly described as *moral vacuum:* China's problems are significantly connected to individuals' disregard for the negative externalities that their actions may cause. Such disregard in turn relies on self-interest, the major characteristic of the *Homo Oeconomicus* that represents economists' narrow conception and, often even ideal, of human nature and behaviour.

In search of alternative growth models, as well as a development strategies for China, this article attempts to encourage its readers to consider the (relevance of) moral wisdoms, embedded in all major Chinese religions: these moral insights and motivations may not only hold some of the 'missing piece(s),' required to make China's development model sustainable, but aid an evolution of Economics' perspective on growth.

As the implications of the outlined attempt go beyond the scope of any one publication, or any one author for that matter, this paper limits its scope to providing a sketch of how a synoptic approach, incorporating key insights of religions' moral traditions in academic study and individuals behaviour, might aid the progress in Economics and China's development by reference to a few examples. In order to identify the areas where new insights might be most needed, this article will first provide a short account of China's socio-economic development over the past 50 years and demonstrate how these have led to a vacuum of values that in turn can be blamed for many of the major economic, social and environmental threats China faces today. Thereafter, it will be demonstrated that religions' moral insights, in particular when joining forces in an ecumenical fashion, are particularly suited for addressing the vacuum of values and its consequences. Whilst this paper will subsequently focus on examining Catholic Social teaching, some examples from other faiths are provided to demonstrate that other traditions, especially when combined, offer vital insights that ought to be explored. The article then turns to Catholic Social teaching, first by demonstrating that core Christian concepts such as economy of love or Trinity could be of significant help when humanizing Economics and particularly relevant for cross-cultural problems faced by Joint Ventures in China. Apart from showing the relevance of religious, particularly Christian, principles to Economics and China, this paper will then also address the ongoing contention as to whether other values, such as Christian or universal values, are compatible with a Chinese context. Next, two major moral principles of Christianity and Christian Social Teaching, Subsidarity and the dignity of the worker, will be examined. Apart from showing their relevance to China's problems, it will be evaluated how these principles should and should not be spread alongside other virtues in China. Last, the importance of filling the moral vacuum and integrating religious values is stressed by considering China's increasing influence and responsibility globally.

2. Socio-Economic Developments and Appeal of Religions

After the Maoist era of imposed communism, with its egalitarian pathos twinned with a large scale destruction of traditional Chinese values such as filial piety, trustworthiness or self-restraint, the last 30 years or so have seen a perhaps predictable, stellar rise of economic performance of businesses in China. During the Maoist era, a general war against all kinds of religious expression and practices swept throughout the country. Motivated by and implemented according to a Communist utopia from 1958 onwards, the Great Leap Forward was intended to bring about industrialization at an unprecedented scale by allocating economic resources away from the agricultural sector into manufacturing. By the time it was finally called off in 1962, the Leap had turned into full-blown agricultural, and thereby national, disaster: reallocation of resources left millions (in the countryside) to starve to death on their own fields, culminating in a death toll that recent studies put above 40 million casualties.[1] After the failure of the Maoist utopia was acknowledged, economic reform has been carried out under the ideological framework of developing Chinese Characteristics of Marxism-Leninism: the communitarian ethos was modified with an economic pragmatism guided by maxims like "to become rich is glorious" and that "it doesn't matter whether the cat is black or white as long as it manages to catch mice."

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[1] Frank Dikötter, Mao's Great Famine: The History of China's Most Devastating Catastrophe, 1958-1962, London: Bloomsbury Books, 2010.

Whilst China's focus on securing safe and reliable supplies of natural resources from all over the world is highly successful, it is beginning to come to terms with the reality that the two natural resources most crucial for human existence (that are also the two most difficult to import on their required scale), water and air, have been badly – and in some cases irreparably – squandered. Increasingly the extent of the destruction of the natural habitat and its consequences seems to dawn on an increasingly informed public and the government. Figures about the degree of water and air pollution are notoriously unreliable. However, air pollution reached such health threatening proportions that it has become international headlines. Indeed, just the air pollution from Beijing alone has affected an area four times the size of Germany.

The environment is not the only aspect of modern Chinese life that has been plagued by a neglect of moral principles: wide-spread corruption has led to a deep-rooted distrust of those in power and a cynical attitude towards what personal behaviour is required in order to be successful. Indeed, the *Corruption Perception Index* (CPI), published by the international corruption-watchdog *Transparency International*, shows how deep this mistrust runs in China's society: out of a positive score of 100, the country scores a mere 39. Further understanding of how bad China's citizens perceive the problem to be, can be gained when interpreting this score with a global perspective: albeit being the world's second-largest, and one of the fastest growing economies, China ranks 80 in *Transparency*'s ranking of countries, putting it far behind all developed and many developing countries.[2]

It is certainly not far-fetched to assume that the wide spread frustration about the abuse of power and the destruction of the natural resources indicates an absence of values. As China is becoming increasingly affluent, individuals' disregard for moral principles, such as human dignity and environmental stewardship, is increasingly associated with and blamed for the biggest perils of modern China. Another mantra has been the official statement that China should still be considered as a developing country, for which the strict standards of safety and environmental protection could not be applied because they would be too costly and affordable only for developed countries. Although some select instances of individuals favouring selfish gains over moral principles, have been vehemently criticized (particularly on China's blogosphere) and increasingly scrutinized and punished in response, what remains most painful is the admission that these individual, and often institutionalized, vices are much more common-place and can be ultimately blamed on the singular model of economic growth, that has disregarded immaterial factors and outcomes of its development for far too long.

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[2] Transparency International, "The Corruption Perception Index 2012," *Transparency International 2012* <http://cpi.transparency.org/cpi2012/results/> (10 May 2013)

Maybe not surprisingly then, the appeal of specific Christian values, including the respect for each person's dignity, solidarity with the disadvantaged and care for the environment, has been very strong. Indeed, for a sustained period of time *The Story of the Bible*, which offers key stories of the Bible along with modern illustrations, ranked as a bestseller in China. The strong Christian drive for commitment, compassion with the poor seems to be so convincing that other religions, in particular some Buddhist groups, may have felt compelled to increasingly focus on social and practical components of religion.

Apart from maintaining that the explosive growth of spirituality among the people of China is an indication for the described lack of moral guidance, this article also argues that the expanding role of religion in Chinese society may be a solution to the problems that threaten it most severely. For the further success of China's development, significant importance seems to reside in the question of whether religious groups will feel compelled to share their values beyond their faith communities, intending to reach out to society at large or limit themselves to their respective religious communities.

3. Relevance of Religious Values for Renewal of Economics

The present study aims to provoke more discussion on how Economics should be developed further by integrating religious wisdoms. This section aims to show the potential scope and feasibility of such integration and advocates principles of how Religions should collaborate in order to enrich and challenge Economics in a particularly effective way.

The high relevance of religious values, such as solidarity with the poor, justice, compassion and self-content, derives from the fact that they can offer reality-tested principles that cover aspects of social and human life, of which Economics has been ignorant. It not only offers compatible extensions to narrow-minded measurements of GDP, the increase of production, profit maximization, etc. but argues more convincingly and forcefully for a value-driven concept of economics, a Green GDP which accounts for the impact on the environment, as well as promoting a change in the way we think about finance's role in nurturing and stimulating the real economy.

To name one instance where new insights and arguments on a deeply controversial aspect of modern economic life can be found, one could consider the whole body of inspiring parables in the New Testament that provide guidance about the true value of money and how to make good use of it, not just for one's own sake, but for the sake and benefit for the whole society. The 25th chapter of St. Mathew's Gospel, for example, discusses the different allocation of talents and the different opportunities and responsibilities that result from such an allocation. What is noteworthy about this example is that in the historic context, the word 'talent' not only described one's abilities but was also the name of a currency. Thus, the passage must be seen as a call to each individual to seize all of his or her unique opportunities, both personal skills and financial position, to the best effect for both, one's individual life as well as the greater good of society.

4. The Significance of Ecumenical Dialogue

It would not be appropriate to claim that only Christian ideas can come up with the desperately needed answers to the serious challenges. Indeed, the challenge seems to be so difficult that a new, combined effort among the main religions in China, including Islam, Buddhism, Taoism and Christianity will be necessary in order to develop and communicate the much-needed treasures of wisdom and compassion, enshrined in and joined by all of these traditions.

Some aspects and underlying considerations of Islamic finance, for example, could certainly be considered as a major reference point for those looking for a fair and equitable economy, tuned to the common good – regardless of the place of wisdom or religious tradition one feels comfortable in. It seems that the Islamic tradition of a more communitarian approach to finance, the benefits of a common economic activity (namely finance) are much more directed towards the ultimate benefit of the community as a whole. This may prove to be a particularly relevant orientation and practice for a business context that is often perceived as deeply corrupt and driven by short-term profit-making.

An ecumenical process of listening and learning from each other would certainly be a breakthrough in a context where there still seems to be a spontaneous inclination to perceive another wisdom or religious tradition as rival or threat towards one's own values. Moreover, given the strong resistance from a broad range of economists and social scientists to recognize the role of values and ethics in their respective disciplines, it seems to be imperative to initiate a widening of the recognition that most of these different traditions share a wisdom that highlights the importance of integrating a moral dimension firmly in business.

Indeed, the debate on the introduction of a new approach to economics and the integration of moral dimensions in business actually highlights the necessity of a similarly "ecumenical" (i.e., inter-disciplinary) approach. Indeed, careful reading of *The Moral Dimension* by Amitai Etzioni,[3] a general reference on this topic, leaves one realizing that the intellectual pollination between ethics, on one side, and social sciences and business practice, on the other, must go hand in hand: without the constant dialogue between social sciences and constant exposure to the realities of the business world, ethical arguments themselves may easily be dismissed as moralistic nonsense. In addition, like Judaism, Christianity and Islam share Semitic common roots and Hinduism, Buddhism and Jainism have Indian roots, Tomas Sedlacek's book *The Economics of Good and Evil* has shown that Economics shares many of its roots with theology, philosophy and ethics.[4]

5. Elements of a Christian Vision of Humanizing the Economy

Within such an ecumenical framework that enables traditions' joint search for ethical underpinnings of economics, one question that arises concerns the specific contributions that a Christian point of view can make, distinct from other religious approaches. The further focus of this article will thus concentrate on specific contributions that Catholic Social Teaching may have for developments in China and the study of Economics. The linguistic origin of economy within a theological framework can be found in the broader context of the term "economy of love" – within the One God, there is the Trinity of Father, Son and Holy Spirit. As Jesus proceeds from the Father, so the Holy Spirit also takes the same origin in the same God as Father. The Trinity, admittedly being one of the most complex theological terms, has to be considered as a core element of Christian faith. *Trinitarianism* chooses a symbolic language in order to indicate that God is at the same time One as Father, Son and Holy Spirit. God is conceived as the outpouring of pure and unconditional love on the whole world. According to Luis Gutheinz, who has been Professor of Theology at Fu Jen University for more than 30 years, the theological concept of Trinity provides the most penetrating key to intercultural dialogue based on mutual respect and reciprocity.[5] Indeed, at the theological core of the concept of Trinity one can find the quintessential model of economy: logic of a perfect giving and receiving, the most accomplished process of communication.

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[3] Etzioni, Amitai, *Moral Dimension: Toward a New Economics*, New York: Free Press, 1990.

[4] Tomas Sedlack, *Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street*, Oxford: Oxford University Press, 2011.

Returning to the reality of economic life in China, it is increasingly well known that foreign partners' wide spread ignorance about specific Chinese cultural elements is one of the major reasons for the failure of a large number of joint ventures in China. Indeed, a completely different way to view the world, conduct business and earn trust makes it necessary for both sides to immerse themselves in the otherness of their partner, to engage in meaningful communication: just one example are the rituals of Chinese business deals that evolve around a meal. Here, the choice of courses, the seating order and the flow of the conversation reflect a strict hierarchical order and often conveys hidden messages. Rather than just studying these for the purpose of pleasing one's partner, it is important to read between the lines as failure to do so will frequently be used against one's advantage.

Such a role of culture and communication is in marked contrast to the Trinitarian model of perfect communication and trust. The Chinese business reality confronts us with a situation where the complex and often deliberately confusing nature of communication – not only due to the difficulty of the Chinese language – often leaves no trust at all. However, trust is the most important ingredient of a cross-cultural Joint Venture; no binding contracts with a Chinese partner should be signed without it. In complete ignorance of this principle, business deals are frequently concluded with a simplistic and disingenuous approach and unsurprisingly end up in failure.

Especially in the midst of such highly demanding business climates that require a high level of communication and trust, it is suggested that *the Trinitarian interplay* could provide the groundwork for new approaches to economy which is thoroughly oriented towards the Common Good with special attention to the most vulnerable. The flaws and great dysfunctions of the present economic system made it increasingly obvious that the ultimate beneficiaries of the present system may be the evasive one percent at the top of the pyramid as the gap between the rich and poor appears to be widening. The present challenges of a global economy may offer a unique chance to reconnect theological thinking with a new view on economics.

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[5] Louis Gutheinz, "*Ein Blick in die Werkstatt der chinesischen Theologie,*" Stimmen der Zeit 225 (September 2007), 619-631.

5. Universal Values versus Chinese Values

Before further examining the relevance and applicability of specific elements of Catholic Social Teaching, one needs to address the widespread discussion whether foreign moral values are in general applicable in a Chinese context. There has, for example, been a fierce debate within circles of intellectuals and the Communist Party in China concerning the implications of the term *Universal Values*. While some intellectuals are forcefully arguing that China should accept Western values such as liberty, human rights, equality, and democracy, basing their argument on the claim that these are common, universal values; others forcefully oppose these notions as foreign to Chinese culture and as an attempt to impose Western values on a culture which has been declared atheist. This debate is by no means purely academic and its very political nature, for example, has become apparent through recent regulations by the Chinese government that forbid academic institutions to engage in scholarly discussion of issues like the independence of the judiciary, freedom of the press and so on.

As Yang Hengda has demonstrated, a basic argument in favour of universal values points out that the two basic principles of universal values proposed by the *Declaration Towards a Global Ethics*, humanity and reciprocity, find strong resemblance in different Chinese philosophical approaches such as Confucius, Mencius, Mozi et al, especially in connection to the terms of *universal love* and *benevolence.*[6] These philosophical approaches are highly aware of the vulnerability of the dignity and fundamental rights of each person and have put forward concepts such as *universal love* for the protection of the absolute/explicit rights of each citizen. It is indeed noteworthy that apart from the mainstream of Confucian ethics, there has been a strong legal tradition in China. Evidence for this can be found in the concepts developed by the philosopher Mozi, whose term *universal love* stresses the need to protect the rights of each individual, not just the rights of one's own family or clan.[7]

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[6] Hengda Yang, "Universal Values and Chinese Traditional Ethics," *Journal of International Business Ethics* 3,1 (2010), 81-91.

[7] Yang, "Universal Values and Chinese Traditional Ethics," 88.

For those sceptical about the benefits that *foreign* or *religious values* could bring to China, it might be illuminating to consider instances where missionaries have brought and applied such values in China. Indeed, much of the resistance to *foreign values* can be explained by China's uncomfortable experience with Western countries' (and Japan's) Colonialism. One of the biggest obstacles that hinders external/religious values from attaining wider acceptance is the perception that those promoting these values (especially when they are foreigners) are ultimately motivated by their own self-interest and will use them against China's interests. Whilst Western powers undoubtedly acted in their interest and ultimately harmed China when penetrating it with Western ideas during the nineteenth and twentieth centuries, the case of Jesuit missionaries offers an effective counter-example: missionaries such as, Matteo Ricci, did not attempt to replace incumbent values and impose their subjective world-view when they came to China. Instead, their very own values led them to concentrate on identifying those elements of their values and talents that would be of the greatest relevance and benefit for the Chinese. Indeed, Matteo Ricci SJ (1552-1610), *Li Madou,* was once regarded as *one of the true friends of China.* They went to great efforts to attain proficiency in the local languages in order to best identify the Chinese's needs. Jesuit missionaries focussed many of their efforts on providing pragmatic scientific knowledge to the Chinese in order to help Chinese society and in particular the poor. Even attaining the status of Imperial Court educators and astronomers, they used some of their greatest talents (their involvement in areas of mathematics, astronomy, and agriculture) to enable farmers to better plan their harvests.

The Jesuits successful contribution consisted in introducing a view on the economy that was enriched by other sciences and ultimately oriented to increase the common good of a larger society. However, there is much room for improvement: although these early missionaries already identified and pointed out the devastating consequences of corruption on the whole economy of the Middle Kingdom, they have left it to contemporary initiatives to address this pressing issue.

6. The Principle of Subsidiarity

Considering that it is often stated that Christian Social Teaching unintentionally remains the best kept secret of Christianity, it is probably accurate to assume that the term *subsidiarity* is still widely ignored. It is interesting to note that this term does not appear in the usual English dictionaries. Subsidiarity takes its origin from the Latin word *subsidium*, meaning *help* or *assistance*. According to the tradition of Catholic Social Teaching, this principle indicates that "employees on a lower level who are trusted, trained and experienced, know exactly their responsibilities, and are free to make decisions, can fully use their freedom and intelligence, and thus are enabled to develop as people; they are indeed *co-entrepreneurs*."[8]

This is in stark contrast to a significant part of Chinese culture: Given the background of the history of subsequent dynasties, a usually feudalistic, strongly hierarchical structure with a heavy emphasis on the leader, is reflected in business and government bodies of contemporary China, where the core of power lies within tight family structures. However, civil society seems to be emerging in China and the significance of political and organizational economics models that not only rely on government planning, but also on a variety of Non-Governmental Organizations is increasing. Consequentially subsidiarity, with its insistence on taking decisions at the lowest possible level, is not only becoming appealing but necessary.

8. The Dignity of Each Worker and the Right to Protest

Christian Social Teaching has consistently emphasized the dignity and rights of each worker. In the Encyclical Letter *Laborem Exercens* (*On Work*) Pope John Paul II reaffirmed the rights of each worker, including the right to form unions and the right to strike, by pointing out that the dignity of each worker should be considered superior to any monetary value[9] The implications of this view on human work are extremely relevant in the Chinese case. The statement of a mine owner that it would be cheaper for him to once in a while let one of his workers die rather than being forced to implement expensive security arrangements, which he considers only appropriate to the West's developed economies[10] indicates his extreme disregard for the value of each of his employees. Such a dramatic preference for profit over any consideration for the rights of the workers is of course a violation of Chinese labour law: although the disregarded moral concerns were already reinforced by the July 1994 version of Chinese labour laws, the wide-spread lack of implementation and ignorance of these laws show that even a sound, state of the art legislation is insufficient without the additional support from ethical insights such as Christian social teaching.

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[8] Pontifical Council for Justice and Peace, eds. Michael Naughton, Helen J. Afford, *Vocation of the Business Leader*, Rome: Pontifical Council for Justice and Peace, 2012, 16.

[9] John Paul II, *Laborem Exercens* (1981).

[10] This oral statement could be further proven with a number of concrete examples which show that the value of a person is far from being respected.

Indeed, whilst there undoubtedly has been considerable progress in the implementation of the labour law, a weak legal tradition in many localities and aspects of Chinese life risks to hinder further progress. Individuals' personal commitment to moral values may be decisive to ensure that the letter of the law does not remain wishful thinking

9. Creating a New Culture: Challenges of Filling the Moral Vacuum

The desirability of a value driven, fulfilling and simple life strongly resonates with traditional Chinese values which stress the virtues of trustworthiness and simplicity of the *qunzi*, the morally refined person who is likely to inspire others to imitate him. To display one's wealth is frowned upon, understatement has long been conceived as an adequate strategy in the traditional Chinese context. However, a number of factors have contributed to a development of an egoistic behaviour focused on a grabbing culture resembling *Manchester style capitalism.*[11] In response, elements of the Chinese government have felt the urge to hurriedly put together value education programs. This included the efforts of the government of Hong Kong, which went out of its way to include the imparting of patriotic values within educational curricula. However, a narrow minded attempt to inculcate veneration for the supposed achievements of a political party while closing one's eyes before some harsh realities of the history provoked a true storm of protest in Hong Kong. Particularly the white-washing of historical disasters in recent Chinese history, such as the Great Leap Forward, resulting in the death of at least 40 million people and the absence of a quest for historic truth has been perceived as unacceptable by a wide range of people. As a result of catastrophes such as the so called *Great Proletarian Cultural Revolution*, the Chinese people are very apprehensive about politically motivated, simplistic slogans and brain-washing.

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[11] Similar to the abuse of the labour force in the process of the early industrialization in England the extremely rapid economic growth in China provoked similar features of wide spread abuse of labour in sweat shops and destruction of natural resources.

Government's attempts to address this *value crisis* have, thus, failed. Instead of simplistic slogans, the inspiring use of moral parables, which could even include stories from the New Testament, may be more adequate to inspire people to conceive new economic models which may be beneficial for the larger society. However, government's failure to address the widening *value vacuum* also highlights the fact that most development needs to come from society and individuals themselves.

The experience of Chinese, Christian entrepreneurs is particularly noteworthy, as it shows how challenging yet important it is to implement (religious) values on a personal level in China. Christian business people find it extremely hard to stick to their value system, while operating in the context of China. *Christ and Business Culture*, a recent publication analyzing interviews with Christian entrepreneurs in China, provides us with a realistic account of the dual challenge of staying and succeeding in business, but not compromising one's beliefs.[12] Even entrepreneurs who consider themselves deeply rooted in Christian value systems often lose hope when they face the cynical dog-eats-dog cut throat business environment in China. Indeed, they readily admit that the social pressures of business transactions frequently coerce them into being inconsistent in following their ethical convictions. While this poses a dilemma for the time being, these entrepreneurs' and other stakeholders' widespread resentment of the status quo provides hope and indicates good grounds for the further adaptation of Christian Social Teaching and other religion's ethical insights.

As China has become a major driving force on the world stage, it becomes increasingly clear that the proliferation of values in China will not remain a national concern. The well-being of the global community, and in particular its vulnerable members can be protected if China embraces Social Justice and a broader responsibility in its international policy. Here those Chinese corporations that have expanded their activities all over the world, especially those in Africa, are of particular significance. There are growing numbers of critics, voicing the concern that alongside business, China might also be exporting business practices that are disconnected from moral principles. Strong evidence for this claim is offered by Transparency International's *Bribe Payers Index,* the "*overseas*" counterpart to the "*domestic*" CPI, measuring how likely companies from a certain country are to offer bribes when operating abroad. Here, the results are even more embarrassing than with the *CPI*: China's multinational companies rank as second-last when compared to companies from 27 other countries that are also the origin of major MNC activity.[13] Growing concern over who, apart from the Chinese and a few corrupt officials, will profit from these business deals has led to various different suggestions of how to solve this problem. Whilst mounting opposition against Chinese investments, not least from the recipients countries' populations themselves (even leading to the barring of Chinese players' entry altogether) may be understandable, there must be no doubt that the most significant determinant of whether these problems diminish or expand, lies with the Chinese players and their choice of whether moral principles shall inform their future economic development.

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[12] Kam-hon Lee, Dennis McCann, MaryAnn Ching Yuen, *Christ and Business,* Hong Kong, PR China: The Chinese University Press, 2012.

10. Conclusion

This article offers a first step in demonstrating a deep link between the theological conception of Trinity, as perfect model of relationship and an alternative to an economic model which still seems to be defined on a narrow egocentric view on the "*Homo Oeconomicus*." Such an attempt seems to be justified by the surprising historical growth among Christian groups in today's China. China's ability to integrate foreign insights has been demonstrated by reference to the fact that since the eighth century different waves of Christian missionaries have made significant inroads into the Kingdom of the Middle also by sharing key methods and insights of social sciences such as mathematics, astronomy, geography with their religious messages. Their ideas have proven useful and practical and made significant improvements in the calendar, farming, and thus contributing to the greater benefit of the society and in particular its vast majority – the famers. As Post-Maoist China has made a historic breakthrough in lifting large sections of the society out of poverty with rapid economic development some key insights of Christian social thought such as solidarity, subsidiarity and the concern for the Common Good may be decisive to take the development to its next level with its care for environment, more participatory structures of decision making, fight against corruption and making sure that the dignity and human rights of every individual is safeguarded.[14]

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[13] Deborah Hardoon and Finn Heinrich, "Bribe Payers Index 2011."

[14] The author thanks Constantin Landers for his careful assistance and critical feedback on this article.

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